

FINANCIAL TIMES

Weekend August 22/August 23 1992

EUROPE'S BUSINESS NEWSPAPER

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Milosevic to
attend crucial
Yugoslav talks

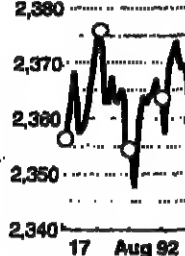
Serbian President Slobodan Milosevic is to attend next week's crucial London conference aimed at finding a diplomatic solution to the Yugoslavian crisis, after foreign secretary Douglas Hurd warned earlier this week that Serbia would condemn itself to remaining an international outcast if Milosevic refused. But the name of the Serbian president was included in a Foreign Office list of delegates from Serbia and Montenegro. The rump Yugoslav federation, comprising the two states, has an agenda which includes securing international recognition and progress towards lifting UN sanctions. US fears Bosnian fighting could spread, Page 2

Ford, leading UK vehicle maker, is to stop production for six days in September and early October at its Halewood car assembly plant in Merseyside, as a result of disappointing sales in the UK and weakening demand from export markets. Page 22

Japanese shares were boosted by a return of confidence as investors responded to the government's efforts to support the country's ailing financial system and stock market. The Nikkei average of 225 leading stocks jumped 6.2 per cent, closing 949.12 higher at 16,316.88, having rallied more than 1,900 points during the past three trading days. Page 22; Good buys, but a risky business. Page 6; World markets, Page 19; Japan money supply growth at record low, Page 3

FT-SE 100 Index

Hourly movements



Football unsettled:

Concern over sterling unsettled UK equities as the week ended, restraining the beneficial effects of another strong recovery in the Japanese equity market. An early gain of 17 points on the FT-SE scale was cut back rapidly towards its close at 2,368.7, up 6.3, as heavy central bank support for the dollar left the pound slipping lower against the German currency. The London stock market closed just before the final onslaught on the dollar, leaving equity traders to watch in nervous silence as the latest currency rates marched across the trading screens. London stocks, Page 13; Markets, Second Section, Page II

Lloyds Bank, one of the original members of the Access credit card consortium, is planning a shake-up of the branding of its 2m Access credit cards, effectively converting them into Lloyds Bank credit cards with the MasterCard branding. Page 4

5 African parties meet The South African government and the African National Congress (ANC) met at a secret venue to try to revive talks on a multiracial constitution. Page 3; Ugly serum in South Africa, Page 5

Strikes warning: British Airways warned it would close or sell its restructured regional business if cabin crews in Manchester and Birmingham continued industrial action over pay cuts. Page 5

Waterford Wedgwood, the luxury ceramics and crystal manufacturer, is to shed a quarter of the 1,900 workforce at its troubled Waterford plant in northern Ireland in what is likely to be a make-or-buy effort to return the division to profitability. Page 6

Russia 'giveaway': Anatoly Chubais, Russia's privatisation minister, said that a mass privatisation give-away scheme was the only way to force restructuring on inefficient state enterprises. Page 2

US hit lists The US put pressure on China by publishing a list of \$3.9bn (£2bn) in imports that could face sanctions if bilateral negotiations fail to reduce Beijing's import barriers. The list is the largest ever published by the US. Page 3

Terrorists kill holidaymaker: A woman holidaymaker from Rochdale, Greater Manchester, was shot dead during a terrorist attack on a security patrol in Belfast. The woman, in her 40s and married with several children, was hit in the back by a single bullet when a gang sprayed Flax Street in the Republican Ardoyne area with gunfire.

STOCK MARKET INDICES

FT-SE 100	2,368.7	(+6.3)
Yield	5.00	
FT-SE Eurostoxx 100	1,029.54	(+8.71)
FT-A All-Share	1,123.24	(+0.25)
Nikkei	16,316.88	(+949.12)
New York Composite	2,274.51	(+29.38)
Dow Jones Ind	4,118.22	(+33.03)

US LUNCHTIME RATES

Federal Funds	3 1/4%
3-mo Treas Bill	3.125%
Long Bond	59 1/8
Yield	7.322%

LONDON MONEY

3-mo Interbank	10 1/4%	(10 1/4%)
Libor 3m gilt future	97 1/4	(Sep 97 1/4)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	\$19.775	(same)
Oilfield		
New York Crude (Aug)	\$37.3	(337.4)
London	\$37.45	(337.05)

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Sterling dragged down as US currency drops to record low against D-Mark

Intervention fails to bolster dollar

By James Blitz in London and Patrick Harverson in New York

CONCERTED intervention by the world's central banks to buy the dollar yesterday failed to stop the currency falling to an all-time low against the D-Mark. The dollar's fall also helped to push down sterling against the D-Mark in the European exchange rate mechanism. The pound was trading in New York last night within two pence of its permitted ERM floor.

Although the US Federal Reserve, acting with 15 other central banks including the German Bundesbank and the Bank of England, intervened to buy dollars for D-Marks, the US currency fell through DM1.430, its all-time low against the D-Mark set in February 1991.

In late US trading, the dollar was at DM1.4350, more than 3 pence below its high of the day. In London it closed more than a penny down at DM1.4370. Against the pound, it was trading at \$1.9510 late in New York.

By continuing to sell the dollar in spite of the intervention, investors pushed up the D-Mark's exchange rate against European currencies. As a result, the pound remained weak, falling to a low of DM2.7951 in New York after the European markets closed.

Earlier, sterling closed in London at DM2.7875, down a penny on the day. If the pound falls to its ERM floor of DM2.7800 next week, the Bank of England will be forced to intervene and buy sterling. Alternatively, the government can support the pound by raising UK base rates. This

THE FALL OF THE DOLLAR

Major's despatch of difficulties, Page 7
Currencies, Page 11

The Dow is sent into reverse, Page 19
Lex, Page 22

will show foreign exchange dealers that they can get a better return for their sterling investment than they would by buying D-Marks.

Further discussions on the actions that may be needed are likely this weekend. Mr John Major, the prime minister, is due to fly back tomorrow from his holiday in Spain. Mr Norman Lamont, the chancellor, is due back at the Treasury on Monday. Dealers in the sterling money markets seemed convinced that a rise in UK base rates was im-

minent. Three-month money in the sterling cash market was offered at 10 1/2 per cent, half a percentage point above UK base rates. Short sterling futures fell by over 20 basis points and were clearly pricing in a rise of 1/4 a percentage point in base rates. The dollar's slide upset share prices on Wall Street, where the Dow Jones Industrial Average was down nearly 40 points at around 3,265 in late afternoon. In yesterday's intervention, the central banks spent D-Marks worth an estimated \$1bn, buying

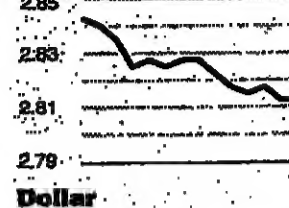
dollars at around DM1.4480 in a generally thin market.

Dealers in the foreign exchange markets are now uncertain at what level the Federal Reserve will intervene in the market to hold the currency. Operators at one of the biggest foreign exchange trading banks in London said the dollar was still under a lot of pressure last night. Technical analysts say they are in uncharted territory because the dollar has never been at these low levels.

The large scale selling of dollars pushed the D-Mark's rate up against other European currencies. The Italian lira fell to a close of 762.2, close to its floor against the D-Mark of 765.0. The Bank of Italy may have to raise interest rates again if it is to stop the currency hitting its floor.

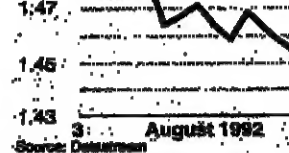
Sterling

Against the D-Mark (DM per £)



Dollar

Against the D-Mark (DM per \$)

Ratners to
shut stores
and cut
overheads

By Maggie Urry

RATNERS Group, the UK jewellery retailer which pioneered 99p carat gold earrings for 99p a pair, has decided to reverse its marketing strategy in a bid to return to profitability.

Mr Gerald Ratner, chief executive, who once boasted that his earnings cost less than a prawn sandwich from Marks and Spencer, said yesterday: "We cannot carry on being a sales-led organisation." The emphasis would now be on profits.

The group will close 180 of its 890 shops in the UK and 150 of its 1,000 shops in the US over the next three years. Staff costs and other overheads will also be cut. Ratners blamed the effect of the recession on consumer spending for a pre-tax loss of £122.3m in its last financial year, to February 1, compared with a profit of £112.1m in the previous year. The losses included £98m of exceptional costs relating largely to rationalisation.

Ratners also announced an agreement with its bankers to continue existing loans until the end of June next year.

Mr James McAdam, who joined the group as executive chairman in January, said the performance of the 360 shops in the Ratners chain had been particularly poor after a remark by Mr Ratner last year incurred "adverse publicity". Mr Ratner told a conference at the Institute of Directors that one of the group's products was "total crap".

Although Mr Ratner had expressed similar opinions previously in more discreet surroundings, his speech was widely reported and alienated customers. Sales in the Ratners chain fell 24 per cent in 1991 on a comparable store basis.

Mr McAdam said there had been an over-dependence on low prices and promotional activity. The group's acquisition-led growth had also resulted in "self-destructive competition" between the company's shops.

The Ratners stores will bear the brunt of the UK closures, with 112 shops to be shut. The other UK jewellery chains, H Samuel and Ernest Jones, will focus on middle and upper sections of the market.

Mr McAdam said sales had fallen again in the first half of the current year, but added that the group was "not banking on any sales recovery" in its attempts to turn the losses around. Mr Ratner said: "We are succeeding on the margin front and the overhead front. The sales downturn is being mitigated by those factors."

Banks extend Ratners borrowing facilities, Page 5
Lex, Page 22



Bird's eye view: Britain's tallest building, One Canada Square at Canary Wharf in London's Docklands, is to open its top floor to visitors from September. Report, Page 22

Call for more UN
troops for Somalia

By Julien Ozanne in Nairobi

A CONFIDENTIAL United Nations report has recommended that at least a further 1,000 armed UN guards be sent urgently to protect aid efforts in Somalia, with or without the consent of the warring factions.

The controversial recommendation, soon to be put to the Security Council, is made by a UN team which recently visited Somalia. It is likely to antagonise most of Somalia's feuding warlords, who have threatened to fire on UN troops who enter the country without their agreement.

The unpublished report says more armed UN guards are necessary to help relief efforts reach an estimated 1.5m people facing starvation in a country where banditry and looting is widespread. An agreement was clinched last week, after months of obstruction by one Somali military faction, to allow 500 UN guards to protect relief operations, but they are confined to Mogadishu.

The report recommends that every effort should be made to reach agreement with the warring factions for the deployment

of more UN security personnel. But it adds: "In the event that no agreement is reached the UN should be prepared to do so without the consent of the parties."

The report goes on: "The essential point is that the international community cannot stand idly and witness the unnecessary loss of human lives in Somalia."

The UN report says two battalions of at least 500 troops each should be dispatched to north-east and south-west Somalia to protect humanitarian relief operations and safeguard ports, airports and road convoys.

It says the troops should be armed with light weapons, and have armoured personnel carriers. The report suggests the two battalions should be based in the far north-east and on the Somali border.

The report, which was presented to Mr Boutros Boutros Ghali, the secretary-general, on Wednesday, also recommends the deployment of further military observers in the north-east, south-west and southern regions of Somalia. Fifty military observers are already in Mogadishu.

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NEWS: INTERNATIONAL

Subsidiarity will not mean repealing EC environment laws, says Van Miert

Brussels' green activism goes on

By David Gardner in Brussels

THE European Commission intends to continue pursuing an activist environmental policy, and will resist any roll-back of its green powers by the EC member states, according to Mr Karel Van Miert, the new environment commissioner.

"Certainly, as far as I'm concerned, there can be no question of backtracking, or of demolishing or diluting our policies," Mr Van Miert emphasised in an interview, his first on the environment since he took over the portfolio last month from his controversial predecessor, Mr Carlo Ripa di Meana.

Mr Van Miert implied that it would be foolish to blunt one of the few policies for which Brussels is popular, in the middle of a backlash against the Community and the Maastricht treaty.

"At the end of the day, no



Van Miert: "One of our most successful policies"

one can contest that [the environment] is one of our most successful policies, and one of the best understood. We should

build on that confidence - this is a policy where you can clearly prove that it is working for our citizens," he argued.

Mr Ripa di Meana, who interpreted his job as a sort of Tribune of the People, has had numerous bruising encounters with the UK and several other EC governments. But in the wake of Danish voters' rejection of the Maastricht treaty in June, the EC has been awash with rumour that great swathes of Community environmental policy would be repatriated to the member states, to emphasise a new commitment to "subsidiarity".

This ill-defined doctrine says the EC should only intervene when decisions are not practical at national or regional level. Mr Jacques Delors, Commission president, has espoused it with particular enthusiasm, but last month said his own earlier suggestions that certain EC environ-

ment powers were a prime candidate for devolution had been misunderstood.

Mr Van Miert yesterday also swept aside reports that under the current UK presidency of the EC there would be a repeal of some existing EC green laws. "Repealing can only be done on the basis of a proposal from the Commission and a decision by the Council of Ministers [of the 12], and modifying [EC law] implies the same procedure," he said. But he did concede that "we are prepared to discuss the merits of particular laws".

Brussels last month dropped five legal cases against the UK for allegedly failing to carry out proper environmental impact assessment studies for road and construction projects, including at Twyford Down in Hampshire. It is still looking at two possible infractions - at the East London River Crossing through Oxleas Wood and

the British Petroleum refinery in Falmouth.

This decision followed the postponement of legal hearings against the UK on inadequate bathing water purity, in a move designed to spare Britain embarrassment at the start of its presidency. Taken together, they were interpreted by most environmentalists as showing the Commission pulling in its green horns.

But both Mr Van Miert and officials who had prepared the environmental impact dossiers insisted yesterday that the UK was able to provide proof in all but the two cases still open that it had complied with EC law. Nevertheless, the commissioner said he would be proposing an "updating" of impact assessment legislation to avoid "misunderstandings".

Mr Van Miert also made clear he intends to pursue the controversial Brussels plan for an energy tax.

Russia gives away state giants to force reform

By Leyla Boulton in Moscow

MR Anatoly Chubais, Russia's privatisation minister, said yesterday that a mass privatisation give-away scheme was the only way to force restructuring on inefficient state enterprises.

He said vouchers entitling every Russian citizen to acquire Rb510,000-worth of shares in 6,000-7,000 medium and large enterprises would be distributed between October and December. The enterprises would be privatised next year.

The unveiling of an unprecedented "popular privatisation" programme coincides with the government's continuing battle with enterprises and the central bank governor over how much new credit they should receive.

On Monday, Mr Viktor Geraschenko, head of the Russian central bank, plans to seek IMF permission for fresh credits to enterprises. Such permission was one of the conditions for the granting of a first loan of \$1bn.

Mr Geraschenko, who favours soft credit facilities in order to boost industrial production, and who opposes rapid privatisation, is accusing the government of trying to sell weakened enterprises off on the cheap.

The primary importance of

President Boris Yeltsin yesterday ruled out the possibility of a new coup or of hunger in Russia even though he forecast unemployment and outbursts of social discontent later this year.

Speaking at a news conference on the first anniversary of the Moscow coup's collapse, he said 1993 would be "easier for us all". Although Russia had to rely mainly on itself to conduct radical economic reforms, he claimed Italy had been the most helpful of G7 nations, followed by Canada, Germany, the US, France, the UK, with Japan in dismal last place. Canada yesterday resumed grain shipments after it received some of the \$55m it was owed in arrears for earlier deliveries, while Italy is considering freezing an existing line of credit for Russia.

The IMF agreement was to reassure foreign creditors and open the door to a debt rescheduling agreement and fresh bilateral credits. But a delegation headed by Mr Richard Erb, the Fund's deputy-director, is likely to look for guarantees that measures will be put in place to avoid a recurrence of new enterprise arrears and that additional credits, if they are agreed, will not act as a green light for enterprises

to raise wages and prices.

Mr Chubais acknowledged there was a danger that the speed of the privatisation plan could mean that Russians could find themselves holding shares in enterprises which were unviable. "It is not possible to seriously count on enterprises to restructure on a massive scale... without a change in the form of property," he said. "Of course there is a risk that some enterprises will go under [after they are privatised] but this risk is an incentive for enterprises to become more effective."

"At a time when we are talking about the life or death of reforms... it is only by smashing the industrial giants that we can talk about a radical change in property ownership," explained Ms Olga Tanokova, a privatisation official.

Once workers had vouchers to help them buy shares in the enterprise - they are entitled to 25 per cent of their enterprise's stock free of charge plus another 10 per cent at a discount - they would exert increasing pressure on managerial managers to privatisation. All state-owned enterprises are required, as a first step, to turn themselves into a joint-stock company by November. The latest to take this decision was the Zil car plant in Moscow yesterday.

US fears Bosnian fighting could spread

By Laura Silber in Belgrade

THE US yesterday warned that the war in Bosnia-Herzegovina could soon spread to other parts of the former Yugoslavia.

In a veiled reference to the Serb-controlled province of Kosovo, Mr Lawrence Eagleburger, the acting secretary of state, said: "I think there's a real chance that this conflict can spread."

Mr Eagleburger, ambassador to Belgrade from 1977 to 1980, said he was pessimistic about the outcome of next week's London conference on the former Yugoslavia organised by the European Community and United Nations.

"I don't think this tragic situation is going to end in any

short period of time, no matter what we do to try to bring it to an end," he told the Voice of America radio station.

In an apparent attempt to improve Serbia's image in the run-up to the London Conference, Mr Radovan Karadzic, head of Bosnia's Serbs, yesterday admitted Serb forces had carried out ethnic cleansing and vowed to put an end to the policy which has driven hundreds of thousands of Muslim Slavs from their homes.

At a press conference in Belgrade, the Serbian capital, Mr Karadzic insisted: "We must put a stop to ethnic cleansing and punish all persons responsible."

The president of the self-proclaimed Serbian Republic,

carved out of Bosnia-Herzegovina, said: "We never supported ethnic cleansing. All the refugees must be allowed to return home."

Serb forces, who claim to control 70 per cent of Bosnia, have driven out, imprisoned or killed Muslims in an attempt to create purely Serb territory. Mr Karadzic, however, dismissed reports of forced deportation as "resettlement which took place at the request of the population wishing to leave an area of high tension".

This was despite reports by western journalists who this week accompanied 1,500 Muslims on a harrowing journey after being expelled from north-western Bosnia by Serb militia.

Mr Karadzic also repeated a promise to hand over all Serb-controlled detention camps to the Red Cross and to close all camps after an all-for-all prisoner exchange.

While international human rights organisations say Serbs, Muslims, and Croats, the three main ethnic groups, are operating prison camps in Bosnia, they have named Serb forces as the biggest violators of human rights.

Many Muslim refugees have told how Serb militia forced them to sign over their property. But Mr Karadzic said: "Forceful measures taken against civilians are not part of our policies, although atrocities have taken place on all sides. All property handed over

under duress will have to be returned. These documents are invalid."

Mr Karadzic offered a seven-point peace programme, which included the recognition of Bosnian frontiers and a ceasefire. This programme reflects close co-ordination between Serb leaders from Bosnia and the unrecognised Yugoslavia of Serbia and Montenegro.

The pledge to recognise Bosnia's borders could enable the reconstituted Yugoslavia in order to lift United Nations sanctions.

But recognition would have little meaning since Serb forces have already achieved their territorial goals.

Dunkel in favour of regional trade deals

By Frances Williams in Geneva

REGIONAL trade arrangements are neither a rival nor an alternative to the multilateral trading system, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (GATT), said yesterday. He dismissed as "rhetoric" threats to pursue regionalism by countries frustrated by the current deadlock in the Uruguay Round of GATT trade talks.

His remarks, to a seminar in Rio de Janeiro on economic integration in the Americas, came just over a week after completion of negotiations on a North American Free Trade Area (Nafta) between the US, Canada and Mexico. The Nafta deal has reinforced fears, especially in Asia, that the world may be splitting into warring trading blocs with high trade barriers against outsiders.

Mr Dunkel said multilateralism and regionalism could not only co-exist but reinforce each other. The quest for freer trade in the Uruguay Round had strengthened interest in speeding the process regionally. But some issues could not be tackled effectively in a regional framework.

GATT's founders saw global and regional approaches to trade as two sides of the same coin, he said. GATT lays down rules for creating free trade areas and customs unions, designed to ensure above all that regional integration should not be at the expense of third parties. Mr Dunkel said that, while this might seem utopian, free trade areas could provide gains for members and non-members alike.

The Nafta accord is expected to come under close scrutiny by other GATT members insisting it must be consistent with international fair trade rules.

Irish beef subsidy row looms

By Tim Coone in Dublin

A NEW political crisis is looming in Ireland, following the gagging of a parliamentary inquiry by the Supreme Court yesterday.

The court ruled by a three-to-two majority that key cabinet decisions on government financial support given to the beef industry in 1988 are entitled to the protection of confidentiality under the constitution, and are therefore not subject to scrutiny.

The inquiry, known as the Beef Tribunal, was set up in June last year after allegations of fraud, malpractice and political connivance in the beef industry were made in parliament and broadcast in a TV documentary.

The most serious allegation for the government is that Goodman International, Europe's largest beef processor, exerted undue influence on government ministers which resulted in almost half of the country's export credit insurance being given to just two beef exporters, for export sales to Iraq, and which Iraq later defaulted on.

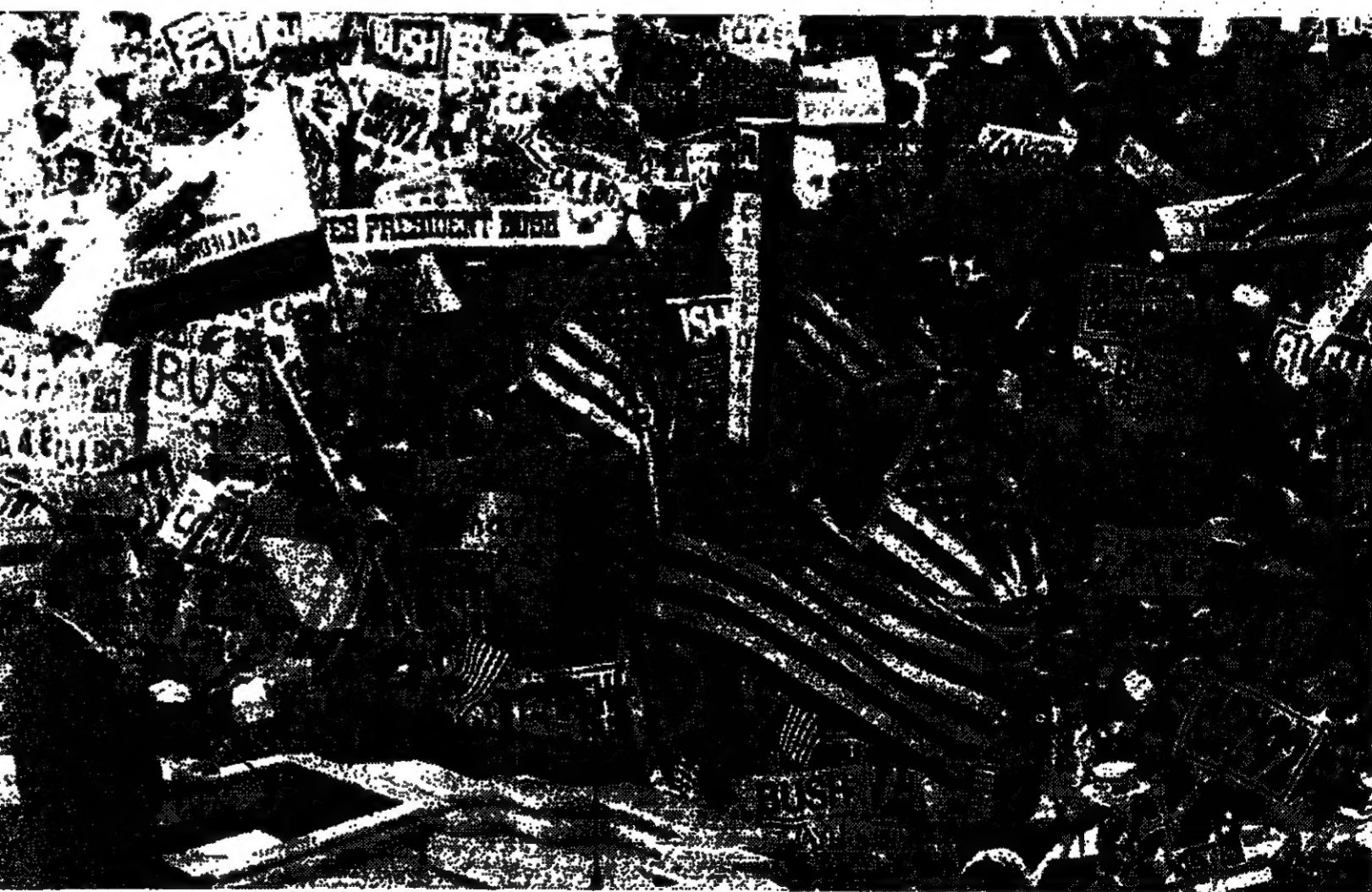
Mr Albert Reynolds, the prime minister, was the industry minister at the time responsible for the allocation of the export credit insurance. Mr Des O'Malley, the present industry minister, told the tribunal last month he believed Mr Reynolds had made "serious errors of judgement" in having allocated insurance cover for the Iraqi exports, and that the source of some of the meat from outside Ireland by Goodman to supply the contracts amounted to "a fraud on the taxpayer".

The tribunal was suspended after its chairman, Mr Justice Liam Hamilton, began questioning Mr Ray Burke, another former minister, on cabinet decisions in 1988 relating to the export insurance.

Mr Dick Spring, leader of the opposition Labour Party, who was a key figure in getting the tribunal established, said "This is going to lead to a very serious political crisis."

"A fundamental task of the tribunal has been hampered and I believe it will now be extremely difficult for it to carry out its mandate," he said.

● Ireland's two main clearing banks Allied Irish Bank and Bank of Ireland have raised their interest rates by 0.5 per cent, bringing lending rates up to 13.5 per cent for long-term loans over 5 years. Mr Bertie Ahern, finance minister, was "disappointed" by the decision. Ireland's Central Bank also announced a 0.25 per cent interest rate rise yesterday.



George Bush addresses convention delegates during his speech accepting renomination for the presidency.

Bush sups sweet cup of opportunity

President stakes out campaign ground with attack on Clinton, writes Jurek Martin



George Bush

PRESIDENT George Bush was expected to deliver a fighting speech to the Republican convention. He did not disappoint.

Very well written, mostly by Mr Ray Price, President Nixon's old wordsmith, and delivered with more panache than Mr Bush usually musters, it lasted about an hour - a little longer than Mr Bill Clinton's to his Democratic convention last month - and was rapturously received by the assembled delegates.

Its principal purpose, as it transpired, was more to stake out the ground for the campaign proper than to lay out a detailed blueprint for a second term. The president said the electorate was offered "a sharp choice" between two candidates with different agendas, directions and "yes, the character of the man you want to lead this nation".

He frequently invoked his own war record ("I had barely begun to live when I began to watch men die"), derisively referring to Mr Clinton as "the head of the Arkansas National Guard" and deliberately not mentioning that his opponent

had avoided military service.

He contrasted his leadership in the Gulf war with Mr Clinton's equivocal support for it: "I hit the bullet, he hit his nails."

He painted Mr Clinton, whom he only began to mention regularly by name in the coda to his speech, as the captive of "the liberal McGovern wing of the other party" and as "Carter Two".

He said his opponent was advocating "Elvis economics" and America will be checking into Heartbreak Hotel. Mr Clinton, he said, had faith "in the tattered blanket of bureaucracy" and would put a new tax on everything in sight, including what he described as "the government takeover" of health care. Not only would he ration it, but "he would deny you the right to use a doctor."

"He defines rich," Mr Bush charged, "as anyone who has a job and he wants to separate you from your wallet." Echoing a standard Republican theme, he declared "my opponent's passion for big government knows no bounds."

Mr Bush conceded he had made "a bad call" when he accepted a tax increase in 1990, but he insisted it was "the Democrats' tax increase," not his own. But if he had made "a mistake", that was nothing compared to Mr Clinton who

"enjoys tax increases".

His general assault on the Democrats running Congress was as unremitting as it was against Mr Clinton. They were, he said, caught up in "PACs, perks, privilege, partnership and paralysis". He demanded action to limit the number of terms congressmen might serve. He said there might be 150 new members of congress in January and "I'll meet every one of them before they are attacked by the PACs, run by their staffs and cornered by the camera crews."

The president's declared economic agenda for his second term was more sparse than his indictment of the other side. He promised, if re-elected, to cut taxes next year, but only if matching spending cuts were effected. He unveiled a gimmicky plan to enable individuals to contribute to reducing the national debt. But mostly he contented himself with recycling proposals which he claimed, Congress had deliberately frustrated. "I offered them my hand, they bit it."

The speech began with a long recitation of the changes in the world that had taken place on his watch, for which he claimed credit. If, Mr Bush said, he had predicted all these developments, people would have said "you must have

inhaled something" (Mr Clinton has conceded smoking, but not inhaling, marijuana).

The president declared contempt for Mr Clinton for daring to suggest that the US was now an object of "ridicule" abroad. The US stood tall and there were lots of challenges ahead. Invoking another Republican touchstone, he said to great cheers "I look forward to being the first president to visit a free, democratic Cuba".

On social issues, Mr Bush did not stray far from the conservative emphasis on religion and traditional family values. The country must change, he conceded, but must also go back to its roots. This meant respect for human life, of "the born and unborn", his only reference to abortion, which so divides the Republican Party.

With all this, Mr Bush said he sensed "Americans are uneasy today". But, he said, in Reaganesque terms "I see not sunset but a sunrise." There was "an unprecedented opportunity to pass the sweet cup of opportunity around our American table." Appealing to the national spirit and implicitly critical of Mr Clinton, he went on: "If the entire world is going our way, why should we go back to their way?"

And yet there was one Democrat with whom Mr Bush was

happy to claim association. Harry Truman, Mr Bush asserted, had in 1948 promised "a new crusade", above all against Congress (which was Republican at the time). So was he, against a different party political target.

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Low growth in GDP forecast for Spain

By Tom Burns in Madrid

THE Bank of Spain yesterday forecast gross domestic product growth this year of below 2 per cent, the country's lowest rate since 1984.

The central bank's report on the first six months confirmed independent estimates of a deteriorating domestic economy marked by a sharp fall in consumption and a widening public sector deficit.

The report said the construction sector was in "a clear recession" official tenders for civil works had fallen by

47.9 per cent in the first six months of the year - and that the public sector deficit had increased by 40.4 per cent over the first half of last year.

Prime Minister Felipe Gonzalez reiterated yesterday that the government would introduce a restrictive budget for 1993 and said the bank's report justified the introduction of the fiscal package a month ago that raised taxes and implemented spending cuts.

Spain's GDP growth fell from 3.8 to 2.4 per cent last year, a rate the government had hoped to maintain this year.

Japan money supply growth at record low

By Steven Butler in Tokyo

JAPAN'S broad money supply (M2 plus certificates of deposit) grew at a record low pace of 0.2 per cent in July compared with 0.9 per cent in June. A Bank of Japan official attributed part of the slowdown to slower commercial bank lending.

The central bank has until recently promoted broad money supply as the most important indicator to follow when setting monetary policy. But it is joining a growing list of central banks around the world that have been frustrated at the behaviour of monetary aggregates, and the Bank of Japan says the measure is becoming less useful as a measure of economic activity.

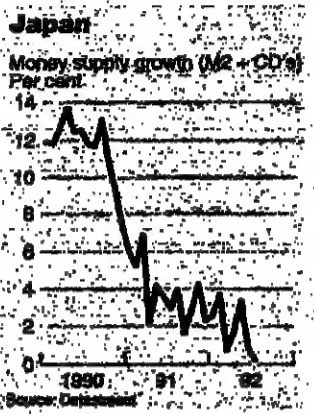
The central bank said the

fluctuations in broad money were not easily explained by economic activity or changes in interest rates, also reflecting fluctuations in asset prices, changing bank behaviour under interest rate liberalisation, and the shift of funds between bank deposits and other savings instruments.

Another indicator, broad liquidity - which includes deposits in the postal savings system - grew by 3.5 per cent, also a record low compared with 3.9 per cent in June. The officials said broad liquidity has maintained a high degree of credibility, but it was difficult to explain why. It said the shift of funds out of the banking system did not indicate any credit crunch, and that corporate activities have not generally been restricted by lack of access to funding.

The bank nonetheless said it would pay close attention to the lending attitudes of banks as well as to monetary aggregates because banks were adopting a more prudent lending stance in the wake of rising non-performing assets, the share price fall, and the pressure of meeting Bank of International Settlement capital adequacy ratios.

The bank said for the time being it would follow a number of monetary indicators and try to respond quickly to changes in the economic environment.



SA government in talks with ANC

By Patti Waldmeir in Johannesburg

THE South African government and the African National Congress (ANC) met yesterday at a secret venue to try to revive talks on a multi-racial constitution.

The talks involved Mr Cyril Ramaphosa, ANC secretary-general, and Mr Roelf Meyer, constitutional development minister.

Both sides would give no details, but it seemed likely they would focus on issues such as the release of political prisoners and the possibility of a general amnesty for those involved in political violence.

- including the South African security forces.

Resolution of these issues is a precondition for the resumption of talks on a new constitution, suspended two months ago in the wake of a massacre at the Boipatong squatter camp near Johannesburg.

Over the past week, political groups from the extreme right and left have said they might be willing to participate in talks. The ultra-radical Pan Africanist Congress (PAC) met government officials this week to discuss participation, and a breakaway group of right-wing MPs said it will join the talks to negotiate for a white homeland for the Afrikaner people.

NEWS IN BRIEF

Israelis delay Arab peace talks delegates

Palestinian negotiators delayed their departure for a sixth round of Middle East peace talks yesterday because Israel stopped five delegates from leaving, Reuters reports from Jerusalem.

Delegation spokeswoman Ms Hanan Ashrawi said all 28 members turned back from the Allenby Bridge in protest after Israeli border guards prevented the five from crossing into Jordan from the occupied West Bank. She said the Palestinian delegation would refuse to leave for Washington until it received guarantees its members would be treated with dignity, even if this meant delaying the start of the talks set for Monday.

Israeli authorities prevented the five from crossing because they were under age 30 and did not have a special permit allowing them to return immediately.

UN can visit the south, says Iraq

Iraq has given UN officials permission to visit the south of the country, where the US, Britain and France have claimed President Saddam Hussein's regime is mounting "genocidal" attacks on the Shia population, writes Roger Matthews in Washington.

The three countries are expected to announce on Tuesday the details of an air exclusion zone south of the 32nd parallel to protect the Shias, and particularly the Marsh Arabs, from attack. Mr Jan Eliasson, the UN under-secretary for humanitarian affairs, said in Baghdad that he had accepted the Iraqi invitation for aid workers to visit the south. Iraq also offered yesterday to allow politicians from member states of the UN Security Council to inspect the marshes area to the north and west of Basra. This could include representatives from the US, Britain and France.

Baghdad buys Australian wheat

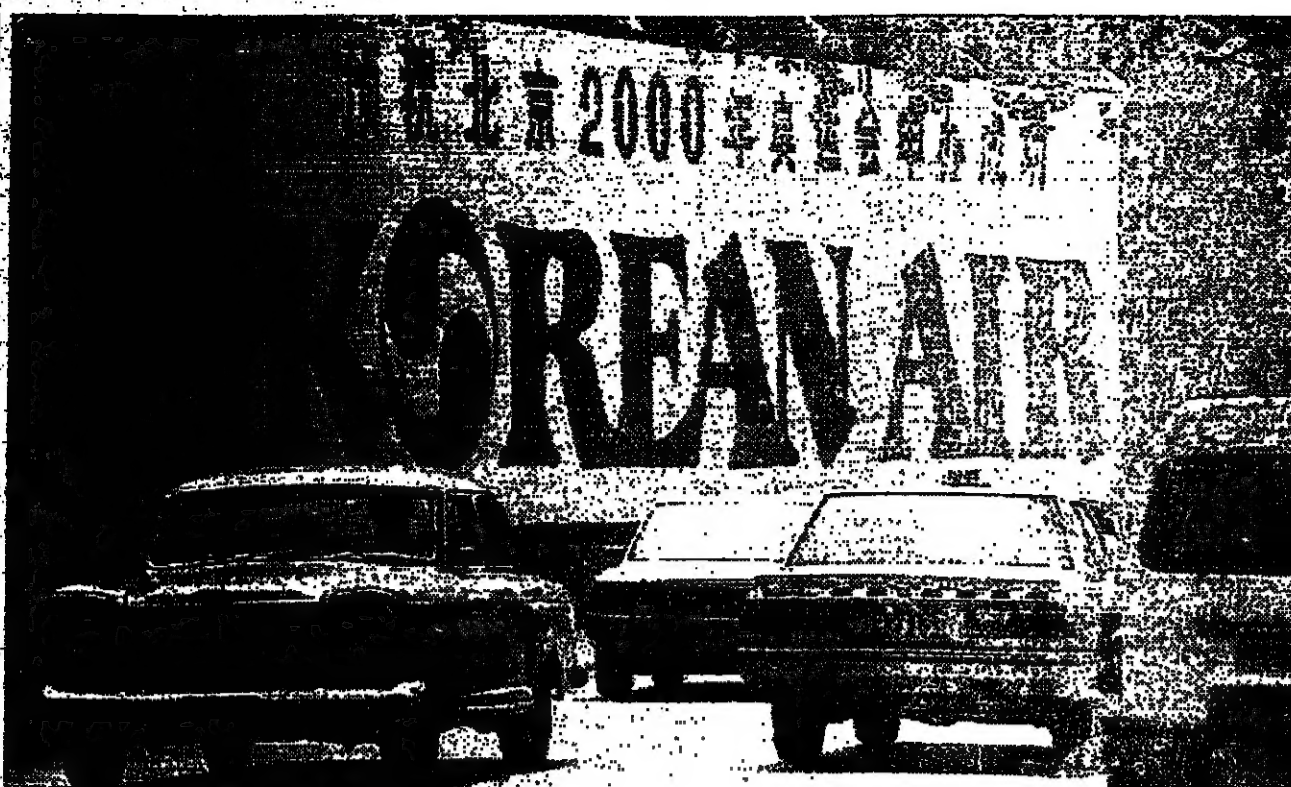
Iraq has used part of its gold reserves to buy about 900,000 tonnes of wheat from Australia since the end of the Gulf war, Mr Clinton Condon, chairman of the Australian Wheat Board, said yesterday, writes Kevin Brown in Sydney. Mr Condon said Iraq used gold bullion to pay for most of the wheat, which was delivered in a number of shipments over the last 18 months. The deal would be worth about \$135m at yesterday's asking price of \$150 per tonne. Mr Condon said further sales to Iraq were expected.

Former NSW premier cleared

An Australian court yesterday cleared Mr Nick Greiner, former conservative premier of New South Wales, of corruption allegations, two months after he was forced out of politics, writes Kevin Brown. Mr Greiner appealed to the state supreme court after being accused of corrupt conduct by the state's Independent Commission Against Corruption (ICAC). The commission was set up by Mr Greiner himself to clean up the state government.

Pakistan reaffirms rebel support

Pakistan yesterday reiterated its commitment to support the secessionist movement on the Indian side of Jammu and Kashmir, despite India's warning that talks on the Kashmir issue could only take place once Pakistan stopped such support, writes Shiraz Siddiqui in New Delhi. "We will continue to give moral, political, and diplomatic assistance to the Kashmiri people," Mr Shaharyar Khan, Pakistan's foreign secretary, told the Financial Times only days after India and Pakistan agreed to hold talks on Kashmir, breaking a 26-year old deadlock on the subject.



Seoul and Beijing to announce diplomatic ties today

KOREAN WELCOME: a huge South Korean advertising poster, a common sight in Beijing, greets travellers on arrival in the Chinese capital's airport. Agencies report from Seoul.

The two countries have long been doing business together, a relationship expected to be cemented today with the official

announcement of diplomatic relations. The new ties will signal the end to four decades of cold war hostility, a foreign ministry official said yesterday.

"All the paperwork is ready and the only thing left is the signing of the accord on the 24th [of August]," KBS radio quoted a high ranking foreign ministry

official as saying.

For South Korea, long-sought diplomatic ties with North Korea's strongest backer are a key step towards its dream of reunifying the peninsula. China's trade links with South Korea expanded to exceed \$5.8bn (£3.03bn) last year, with trade expected to top \$10bn this year.

US increases pressure over China imports

By Nancy Dunne in Washington

THE US yesterday put pressure on China by publishing a list of \$3.9bn (£2bn) in imports that could face sanctions if bilateral negotiations fail to reduce Beijing's import barriers.

The "hit list" - the largest ever published by the US - is headed by footwear and includes silk clothing, jewellery, ceramics, electronics, bicycles, watches, tea, spices, foods, and leather goods.

Mr Michael Moskowitz, the deputy US trade representative, said an effort would be made to avoid putting tariffs of up to 100 per cent on items which would otherwise be scarce.

There is also likely to be an effort to avoid damaging Hong Kong interests and to target state-run industries.

The list was published for public comment after a fifth round of talks in Beijing this week failed to produce what the US sees as satisfactory progress.

Chinese officials have hinted at retaliation.

The two sides will meet again in mid-September and the first week in October, in the hope of achieving a settlement by October 10, the deadline set under US trade law.

The US Commerce Department says its \$12.7bn trade deficit with China is still growing. Imports rose almost 42 per cent in the first six months of this year, while exports increased only 18.4 per cent.

The US attributes the surplus to unfair trade barriers, such as China's import substitution policy and high tariffs. Among other demands, it is pressing China to publish its laws, regulations, and judicial and administrative rulings pertaining to imports; to end import bans and restrictions; to discontinue technical trade barriers, such as unreasonable standards and testing requirements.

US officials present their demands as an attempt to prepare China for membership of the General Agreement on Tariffs and Trade.

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Lloyds plans Access card branding shake-up

By David Barchard

LLOYDS BANK, one of the original members of the Access credit card consortium, is planning a shake-up of the branding of its 2m Access credit cards. This will effectively convert them into Lloyds Bank credit cards with the MasterCard branding.

The move represents the latest step by Lloyds towards direct competition between banks in the credit card market and away from consortium operations.

Lloyds has not finally decided what form the change in brand design will take.

One option is for the MasterCard logo to be given equal prominence on the credit cards with that of Access. A more radical solution would be to transfer the Access logo from the front of the card to the back.

The move will be announced before the end of the year after which the redesigned cards will be issued in stages.

The redesign will not directly affect Lloyds' Access

customers, the working of cardholders' monthly accounts, or the retail outlets in which the card can be used.

In a separate move aimed at building closer links between credit card customers and the banks, Lloyds redesigned its statements last month. They now emphasise the Lloyds branding and give much less prominence to Access.

Lloyds does not, however, plan to withdraw from the Access consortium which handles the marketing operations of the 8.8m cards carrying the

Access branding. Apart from the four banks which own the Access brand name - National Westminster, Midland, Royal Bank of Scotland and Lloyds - Access cards are issued by five other small banks and building societies.

Two months ago the number of employees at the Southend, Essex operations of Access Brand was trimmed from 17 to nine, but the Access banks say that no changes in its marketing role are under consideration.

Another of the Access banks

said yesterday: "We are aware of what Lloyds is planning to do, but as far as we are concerned, it is a decision for them alone. We are still committed to the Access branding."

Mrs Jane Jee, Access Brand general manager, said yesterday that she was not aware that Lloyds had any plans to move away from the Access branding.

There was some puzzlement in the credit card industry yesterday over why Lloyds was considering a retreat from the brand it helped launch 20 years

ago, since Access is regarded as a very strong name.

About 41 per cent of UK credit card holders carry cards branded with Access, compared to 33 per cent for Barclaycard, the second largest brand.

Access is the UK affiliate of the MasterCard credit card system which also has a third brand name, Eurocard, in Europe. All three brand names are carried on UK Access cards, but some bankers feel that having three brand names on one card is confusing for

the customer and obscures the role of the bank issuing the card.

A pilot scheme to print customers' photographs on cash cards as a security measure appears to be successful, the Royal Bank of Scotland said yesterday.

The bank said 28,000 such cards - which cost each customer £2 - were in circulation and there had not been a single case of misuse following theft or loss, even when other cards stolen at the same time had been used fraudulently.

Duchess tabloids claim sales lift

THE DAILY Mirror and Sun newspapers yesterday claimed that their publication of intimate photographs of the Duchess of York and Mr John Bryan, an American friend, had greatly increased their sales.

The publication of the pool-side photographs has been criticised by Buckingham Palace and has refuelled the debate over privacy and the press.

The Daily Mirror said an extra 14 per cent, or 370,000 copies, were sold on Thursday and more sales figures were coming in. Yesterday's print run, which further photographs were published, included an extra 300,000 copies, it said.

The Sun claimed its biggest sale for four years yesterday when it published a front page photograph of the Duchess topless. An extra 300,000 copies had been printed.

Yesterday the Duke and Duchess of York were at Balmoral with other members of the royal family. Mr John Bryan was reported to have visited a leading libel lawyer.

Repossession order led to arson

A MAN set fire to his home the day before it was to be repossessed by Citibank, Oxford Crown Court heard yesterday.

Mr Darren Kelly and his two brothers wanted to sell the house for £83,000 to clear their debts and had found a buyer, the court was told. But it was claimed that Citibank refused to sanction the deal because it was still owed another £3,000.

Judge Patrick Medd told Mr Kelly, of Littlemore, Oxford, who admitted arson: "The position you were put in when Citibank refused to accept £83,000 I can understand. It must have been frustrating and infuriating to a degree." Mr Kelly was given a 12-month prison sentence suspended for two years.

Citibank, which was not called to give evidence, said later: "We feel we should clarify that we have no record of any formal offer or interest from potential purchasers in Mr Kelly's property." It added: "We believe we acted responsibly and the customer was fully informed of our intended actions at every stage."

Wind farm for east coast

EUROS POWER, a subsidiary of Unigrup, the timber and building products company, yesterday announced plans to commission within the next three months the first wind turbine farm on the east coast.

The £2m-plus farm at Blood Hills, Great Yarmouth, Norfolk will produce about 6m kilowatt-hours of electricity per annum from a 10 wind turbines, enough to supply the energy needs of about 1,200 homes.

Christmas closure

THE Matador mill, which makes Christmas wrapping paper at Felling, Tyne and Wear, is to close in November, with the loss of more than 150 full-time workers and a similar number of short-term workers. Britannia Products, the owner, plans to switch production to its larger factory at Bradford, West Yorkshire.

Life's modest pleasures prove too dear

CHASTENED CITIZENS in an austere Britain spent significantly less on life's pleasures last year. Beer, spirits, toys and games, and entertainment fell foul of the recession. Instead people preferred to stay at home watching television or listening to the radio.

The latest UK National Accounts published by the Central Statistical Office show that last year Britons continued to retreat from the indulgence of the late 1980s, spending less on all but one of the components that make up consumer expenditure.

Total consumer spending - which accounts for about two thirds of the UK's gross domestic product - fell by 2 per cent last year, the first fall since 1981.

Expenditure on household goods fell sharply, reflecting the depressed housing market, with carpets and furnishings suffering the biggest drop. Between 1990 and last year spending on household goods and services fell 3 per cent, the second consecutive annual fall.

Spending was 8.5 per cent lower than the peak reached in 1989, after which the housing market started to tumble.

The year was bleak for sports, betting shops and theatres. It is hardly surprising that several West End musicals closed prematurely last year with spending on other recreational and entertainment services down 10 per cent.

Spending on betting and gaming fell by 5 per cent while newspaper and magazines suffered a 4 per cent fall.

Spending on sports goods, toys, games and camping equipment fell by 4 per cent, the first fall in this category for 10 years.

Cars fell out of favour as spending dropped by 19 per cent - a far bigger drop than the 7 per cent registered between 1989 and 1990.

Household spending on food, which accounts for just over a

Emma Tucker reports on the retreat from the indulgences of the late 1980s

tenth of all consumer expenditure, was flat on the previous year although the pattern of spending pointed to a somewhat healthier, if poorer, nation. Spending on cakes and biscuits fell by 2 per cent while spending on vegetables rose by 5 per cent. Spending on potatoes - cheap and filling - rose by 2 per cent and spending on sugar dropped 4 per cent. Fruit was less popular with expenditure falling by 3 per cent.

People tended to make do with the previous season's fashions last year as overall spending on clothing and footwear dropped by 2 per cent. Spending on men's clothing dropped 7 per cent, the third successive fall.

Purchases of "frapperies" were less popular than in 1990. Spending on jewellery and clocks was down 7 per cent, and expenditure on hairdressing and beauty care fell for the third successive year. Restaurants were even emptier than in 1990 as spending fell by 4 per cent.

Spending on fuel and power, the one component of consumer spending to rise, increased by 8 per cent on the previous year with big increases in outlay on electricity and gas.

Revised figures from the Central Statistical Office show that gross domestic product fell by 2.4 per cent last year rather than the provisional estimate of a fall of 2.2 per cent. GDP figures for 1990 were also revised to a rise of 0.6 per cent rather than the 1 per cent originally reported.

UK National Accounts, 1992 Edition. HMSO. £14.75.

Holiday industry on alert for cuts

By Michael Skapinker, Leisure Industries Correspondent

WITH MUCH of Britain still on holiday, tour operators will next week start announcing their 1993 programmes, giving an early indication of whether the industry's price battles are set to continue.

Operators and travel agents will be looking at any reduction in the number of holidays offered. Mr Roger Allard, managing director of Owners Abroad, the UK's largest operator, estimated that the supply of 1992 holidays exceeded demand by 1m in February and March. By the summer fierce price competition and some trimming of capacity had reduced this to 500,000.

The industry will focus particularly on the brochures of Thomson, the market leader, which announces its 1993 offerings on Tuesday.

Ms Rosemary Astles, Thomson's marketing director, said the company was determined to restore its market share to a third. Oversupply of holidays this year saw Thomson's share fall to 30 per cent, she said. Owners Abroad announced at the start of this year's high season that it had cut 100,000 holidays from its programme. Mr Allard said the company would reduce capacity by a further 5 per cent next year.

Ms Astles said Thomson had no intention of doing the same. "We will not be contributing generously to the reduction of the oversupply because we didn't start the oversupply," she said. As to price, she said Thomson would not be too concerned if other companies offered cut-price holidays "as a

gimmicky come-on - as long as there are not too many available".

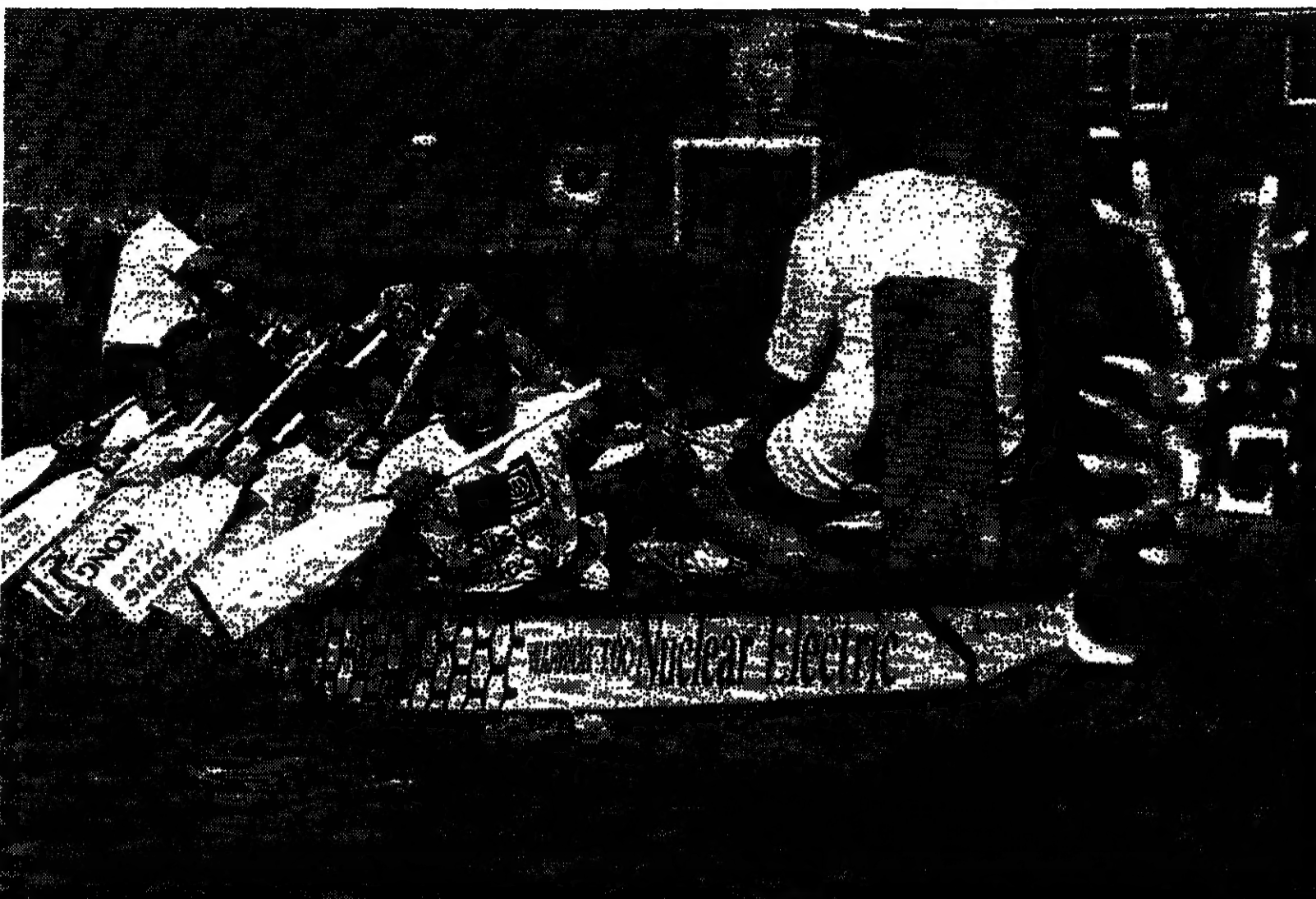
Thomson's price policy would be "made with our market-share objective in mind". In the past this has meant Thomson reacting to oversupply or cheap offerings from rivals with a warning burst of price-cutting.

Mr George Marcell, sales director of Airtours, the third-largest operator, said his company's 1993 prices were likely to be at the same level as this year's. Mr Allard expected prices to rise by 2 per cent or 3 per cent. Both forecasts imply a price cut in real terms.

The falling dollar has, however, reduced the cost of providing US holidays. As aircraft fuel is priced in dollars, savings are also available to other destinations. In addition, Mr Marcell said, the Mediterranean had a difficult summer and tour operators would be able to drive a hard bargain with hoteliers.

Mr Peter Rothwell, marketing director of Lunn Poly, the biggest chain of travel agents, said he expected some eye-catching promotional offers, such as free holidays for children. "But really, these will tend to be price skirmishes rather than fully-fledged battles."

Operators will try to capture that proportion of the market which tends to book holidays early. Factory workers who have to take their holidays during plant shutdowns are among those booking early. This usually means strong early bookings from the North which has suffered a more resilient market than the south during the recession.



Making a splash: Nuclear Electric says its dragon boat team - pictured practising in Hartlepool Marina, Cleveland - is a good way of promoting the company

SCREAMED commands and the dull thump of a jungle drum disturbed the evening calm as a low craft skimmed across Hartlepool Marina in Cleveland, looking like a giant centipede doing the front-crawl.

Twenty paddles moved in unison behind Mr Dave Price at stroke. His teeth were set in a snarl as muscular forearms shoved water into the boat's wake.

Enter Nuclear Electric's dragon boat, which is in the vanguard of one of Britain's fastest-growing corporate sports.

In the five years since dragon boat racing was imported from Hong Kong, some 60 clubs have been established across the UK. Last year about 380 teams took part in competitions.

All teams competing in events organised by the British Dragon Boat Association must have corporate sponsorship. The reward for the companies is the opportunity to encourage team spirit while spreading brand awareness.

The sport's popularity has been confirmed by its inclusion in the annual World Corporate Games, an international sporting event for company teams and individuals that next month is being held in London for the first time.

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Enter the dragon into corporate sport

Richard Donkin discovers that team spirit and brand awareness mix well on the water

Dragon boat racing originated in China where an annual festival is held to commemorate the death of a 4th century BC poet, Qu Yuan, who threw himself into the Mi

Low river after he was expelled from the royal court. Fishermen are said to have raced their boats out in an unsuccessful attempt to save him. The sport is so named because of the ornamental dragons' heads at the prow of the boats.

Adopted as a competitive sport in Hong Kong during the mid-1970s, it spread swiftly throughout the Pacific rim and is believed to be the biggest corporate sport in Australia. The two-day world championships in Hong Kong are televised live. "Over there it's akin to the FA Cup in England," says Mr Price, who works in the Hartlepool power station's planning department.

Chinese and Hong Kong boats are made of mahogany, but Mr Chris Hare, a boat builder based in Hartlepool, made glass-fibre moulds of the boats which he now constructs commercially.

Nuclear Electric adopted dragon boat racing three years ago when the company was still a part of National Power before the privatisation of the electricity industry.

A scratch team using a borrowed boat entered a race at Hartlepool Marina and came third. "We found we were good at it so went to the management and asked if they would foot the £5,000 bill for a boat of our own," says Mr Price.

Mr Bill Shirra, administration manager at the power station, says: "At the time National Power was looking for ways, like any new com-

pany, to get its name across to the public and the opportunity to have the company name and logo on the side of the boat at events around the country seemed appealing."

A year later the newly formed Nuclear Electric took over the sponsorship. The state-owned electricity generator has specific requirements on sponsorship decisions. To attain commercial viability it sees its main task as gaining public acceptance of nuclear power.

"We're convinced we have the power source for the future," says Mr Shirra. "But we have to get this message across to the public."

The dragon boat team is viewed as a cost-effective way of promoting the company. "We see them as ambassadors to the public for nuclear power," says Mr Shirra.

The creation of the team had

also had an internal spin-off, he says, in fostering team spirit among the workforce.

Mr John Collier, chairman and chief executive, says sponsorship is a way of putting something back into communities that serve the industry.

"In addition, it is an opportunity to be involved with events which suit our company profile and values," he adds. Nuclear Electric, he says, is attracted to events that concentrate on teamwork.

The Hartlepool team came third in the national championships last year and has competed in Belgium, Hong Kong and Singapore.

Mr Price says: "It is something that you can do at all levels. We have raced against the best teams in the world, such as the Indonesian national team - the world champions - and we've raced against the Brownies and Cubs."

The Hartlepool team will be among nearly 8,000 competitors contesting 22 events in the World Corporate Games running from September 26 to October 4 at venues in and around London. The closing date for entries is August 28.

The games organisers can be contacted on 077 321 1292. Further details about dragon boat racing from the British Dragon Boat Association, 071 930 2296.

Office equipment supplier is placed in receivership

DECIMO International, the family-owned office equipment supplier trading under the "Decimo Vatman" brand name, has been placed in administrative receivership, Michael Cassell writes.

KPMG Peat Marwick was yesterday appointed receiver of the company.

Decimo, founded in 1968, imported a range of goods under its own brand name - including facsimile machines, word processors and photocopiers from the Far East - and

grew rapidly in the 1970s and 1980s.

Early this year annual turnover was reported at £7.4m but the company has been badly hit by the recession as employees have reduced office costs.

Decimo's problems were compounded by the increasing tendency of overseas equipment manufacturers to cut out agency arrangements and sell direct to customers.

Mr Tony Thompson, the joint receiver, said last night that a change in policy by Far East-

ern suppliers "was the final straw".

Decimo, based in Luton, recently employed about 80 people but staff is down to 12.

Mr Thompson said: "The recession is now affecting the most renowned companies. Decimo have developed products which are noted for their reliability, innovation and value-for-money."

In view of the company's reputation, he was hopeful it could be sold as a going concern.

Campaign against water sell-off dubbed 'hypocrisy'

THE CONSERVATIVES and the Scottish National Party yesterday attacked Labour's campaign against water privatisation in Scotland as "hypocrisy" after it proposed to sell five privatised English water companies. The Grampian, Lothian, Fife and Central regional councils had also invested in the industry.

Mr Allan Stewart, a Scottish Office minister, said Labour's campaign had been "blown out of the water". The SNP said the news was a "disgraceful

example of Labour's double standards".

It emerged yesterday that Labour-dominated Strathclyde regional council had invested £15m of its pension funds in five privatised English water companies. The Grampian, Lothian, Fife and Central regional councils had also invested in the industry.

Mr Stewart accused Labour of the "ultimate hypocrisy". Labour "condemned any thought of using private capital in Scotland's water indus-

try while, at the same time, they help to finance private water companies in England. Labour have a lot of explaining to do."

The Labour-dominated Convention of Scottish Local Authorities said investment managers had a duty to ensure the best possible return for pension funds.

Mr Iain Lawson, for the SNP, said: "The excuse that pension fund managers cannot be influenced by moral considerations does not wash."

Labour calls for clarification on operations in Iraq

By Philip Stephens, Political Editor

THE LABOUR party yesterday called on the government to clarify the terms under which British warplanes will operate in southern Iraq. It warned that it would not support attacks on ground positions without further United Nations authorisation.

shadow foreign secretary, wrote to Mr Douglas Hurd, the foreign secretary, seeking clarification and confirming broad support for the operation by the US, Britain and France to protect the beleaguered Shia communities from Iraqi bombing.

Mr Cunningham said, however, Labour was disturbed by conflicting reports from London and Washington on how

the zone would be enforced.

He asked for assurances from Mr Hurd that the UN had been kept fully informed of the plan and added that attacks on Iraqi ground forces within the zone should not be permitted unless and until they were first considered by the security council.

His letter coincided with a series of attacks on Labour's approach to foreign policy by a

number of MPs on the left of the party.

Ms Clare Short, newly restored to a position on the Labour front bench, attacked the leadership's refusal to demand the recall of parliament to discuss the crises in Bosnia and Iraq. Her comments came as an editorial in Tribune newspaper, which represents opinion on the left, launched a bitter attack on Mr

Cunningham's inexperience in foreign affairs.

The Royal Air Force will not make use of RAF Bentwaters and RAF Woodbridge in Suffolk when the US Air Force leaves the two bases next year.

The Ministry of Defence had been considering moving Harrier aircraft from RAF Wittering, in Cambridgeshire, and Jaguar aircraft from RAF

Cottishall, in Norfolk, to the two bases when it resumes full control of the sites next September. But the MoD said yesterday that an investment appraisal had shown it would not be cost effective.

The ministry believes it unlikely that a long-term defence requirement will be found for the two Suffolk airfields.

هكذا من القليل

BA warns strikes may force sell-off

By Catherine Milton and Daniel Green

BRITISH Airways yesterday warned it would close or sell its restructured regional business if cabin crews in Manchester and Birmingham continued industrial action over pay cuts.

Mr Robert Ayling, BA operations director, said: "We can only keep this business running on the basis agreed in March, otherwise we will have to close the business or sell it to someone else." He said no deadline had been set.

Seven flights were cancelled following strikes at Manchester and Birmingham airports this month. BA has threatened to suspend without pay crew members taking further action. The union plans more one-day strikes and is balloting members over industrial action short of strikes.

It is understood that, earlier this year, BA had been on the point of signing over European and domestic services out of Birmingham and Manchester, as well as Highlands and Islands services, to a joint venture with Maersk Air, the UK investment arm of the Danish independent carrier.

The plan was abandoned in March in favour of an in-house restructuring that would preserve jobs, but cut labour costs. The Maersk deal would have saved an estimated £8m. The in-house restructuring is said to save £8.3m.

Historic abbey to become hotel

By Paul Cheeswright

COOMBE Abbey, a Midlands landmark outside Coventry since the Cistercians established a monastery there in 1150, is to be restored as a luxury hotel.

The £14.4m private and public-sector development will include a country park and golf course.

Coventry City Council, the landowner, announced yesterday that it had reached agreement with Lumley Castle, the Durham hotelier, Try Construction and Allied Irish Banks on a financial package arranged by Price Waterhouse Corporate Finance. Work on the project should start next month.

The venture emphasises the growing readiness of Labour-controlled councils to work with the private sector on economic development. The process has been hastened by the government's constraints on council spending.

The city council contribution to the Coombe Abbey project is worth £4.5m. This comprises the land and grants arranged by the council, including one of £977,000 from the European Community. The majority equity holder will be Lumley Castle.

Mr Gordon Bear, who owns Lumley Castle and will run the new hotel, has a personal stake in the project of £250,000. The main development will be financed by borrowings of £8.5m from Allied Irish Banks. Try Construction will have £1m of equity.

Coombe Abbey is a grade I listed building that has fallen into disrepair. The significant works on the site were undertaken in the mid-19th century. The city council - which is making cuts to avoid poll tax capping - does not have the resources to maintain it.

The first stage of the development will provide a visitor centre and other public facilities for a country park. The second stage will transform the buildings into a 45-bed hotel.

This is smaller than was first envisaged - earlier this year the hope was for a £20m project, partially funded by China Construction International, a Chinese government company. However, the Chinese interest evaporated.

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AMSTERDAM DEPOSITARY COMPANY N.V.

Guards sacked in BR dispute

By Catherine Milton

THOUSANDS of passengers at Manchester's Piccadilly station were delayed yesterday after an unofficial dispute over rostering led to the sacking of four guards.

Some InterCity trains between Manchester, London, Brighton and Bournemouth were cancelled, but others ran normally. Local trains serving south Manchester, Cheshire and beyond were also hit as the RMT rail union and British Rail tried to solve the dispute.

BR said it was running between 35 per cent and 50 per cent of services on lines affected, but advised passengers to make alternative travel plans to avoid disruption.

The dispute started when guards alleged trainee drivers were doing their jobs. BR said the four guards terminated their conditions of employment by inciting other staff to stay off work. The RMT said BR had broken a code of practice issued by Acas, the conciliation service, on disciplining staff representatives.

The union denies that it agreed to new contracts under which about 1,000 crew members face pay cuts of £2,000 on annual salaries of £14,000, with no pay rise next year unless inflation is above 4 per cent. The union claims that its bargaining rights have also been reduced. BA insists agreement was reached.

Last week BA made what it described as its final offer, worth about an extra £1,000 per crew member. The offer was designed to bring an end to the union's programme of one-day strikes and settle 231 legal actions by crew claiming breach of contract.

Tories renege on education pledge

By Andrew Adonis

THE government has gone back on a commitment in its general election manifesto to give popular state schools in England resources to expand - provoking protests from church schools wanting to increase their intake.

In February Mr Kenneth Clarke, then education secretary, issued a consultation paper on proposals to give extra funds to popular schools, with about £20m allocated to the initiative for next year.

The Conservative manifesto included the commitment: "Popular schools which are over-subscribed will be given the resources to expand."

However, it emerged yesterday that no funds will be made available to popular schools in local authorities with surplus places.

Since there are 1.5m surplus places across England, and it will take several years to remove most of them, in effect the government is reneging on its commitment.

The decision will anger many on the Conservative right, who believe that market forces - not reorganisations from above - should play a larger role in determining school provision.

The Department of Education said yesterday that removing surplus places was the government's "main priority", and that Mr John Patten, the new education secretary, gave a higher priority to that than to allowing existing schools to expand.

At present the closure of "surplus" schools is often a long and controversial process, but the department said that legislation to be introduced next year would "accelerate" it by allowing the government to introduce its own closure proposals.

It added: "Popular schools will benefit, since they will gain the extra pupils and resources currently going to the under-subscribed schools."

Mr David Lankshear, schools officer for the Church of England Board of Education, said schools would be "angry" at the move. The Catholic Education Council said it was "disappointed".

Mrs Ann Taylor, shadow education secretary, said the move was typical of the government's chopping and changing in education.

"Ministers have left some schools high and dry after foolishly promising them extra cash," she said.

"I shed no tears at the cutting of the Popular Schools Initiative, but fear it is a sign of serious cuts to come with a secretary of state who will be unable to fight his corner against the Treasury."

Long Beach awaits bids for the Queen Mary

By Tim Burt

BIDS for the Queen Mary, the 51,237-ton former flagship of the Cunard shipping line moored as a tourist attraction at Long Beach, California, close on Monday.

The ship's owner, the City of Long Beach, put her up for sale after the Walt Disney entertainment group decided not to renew its lease on the site near Los Angeles. Disney is thought to have lost \$5m a year since it leased the vessel in 1988 as a floating hotel and museum.

Long Beach Harbour Commission, which is handling the sale, expects most potential buyers to delay bids until close to Monday afternoon's deadline - 4.30pm Pacific Standard Time.

Officials expect up to 50 firm proposals. If they fail to find a buyer the Queen Mary's last voyage could be to the scrapyard.

The potential schemes include a Japanese plan to convert the vessel into an office block and several casino projects, although this would require a change in California gambling laws.

One of the most ambitious plans is to return the Queen Mary to Southampton, her

home port, from where she sailed on her last journey to Long Beach on October 31 1987. Long Beach has set stringent terms for the sale. Each bid must be accompanied by a \$100,000 (£51,600) deposit, with audited financial statements, marketing strategies and a date for removal. The successful purchaser, who will be named in mid-September, is also required to make a \$5m down-payment.

Conservation groups in Liverpool and Glasgow have dropped out of the bidding. Merseyside Development Corporation said Liverpool could not raise the \$100,000 deposit.

The Clyde Port Authority said the river where she was built was too silted to make the project worthwhile. The business-backed Queen Mary Project UK, based in Southampton, hopes to refurbish the huge ship - eight times the size of HMS Belfast moored on the Thames in London - as a business park, hotel and casino.

Mr David Abraham, chairman of the project and leader of the Conservative group on Southampton City Council, said: "We've come across nothing yet to say it's impossible to bring her back."

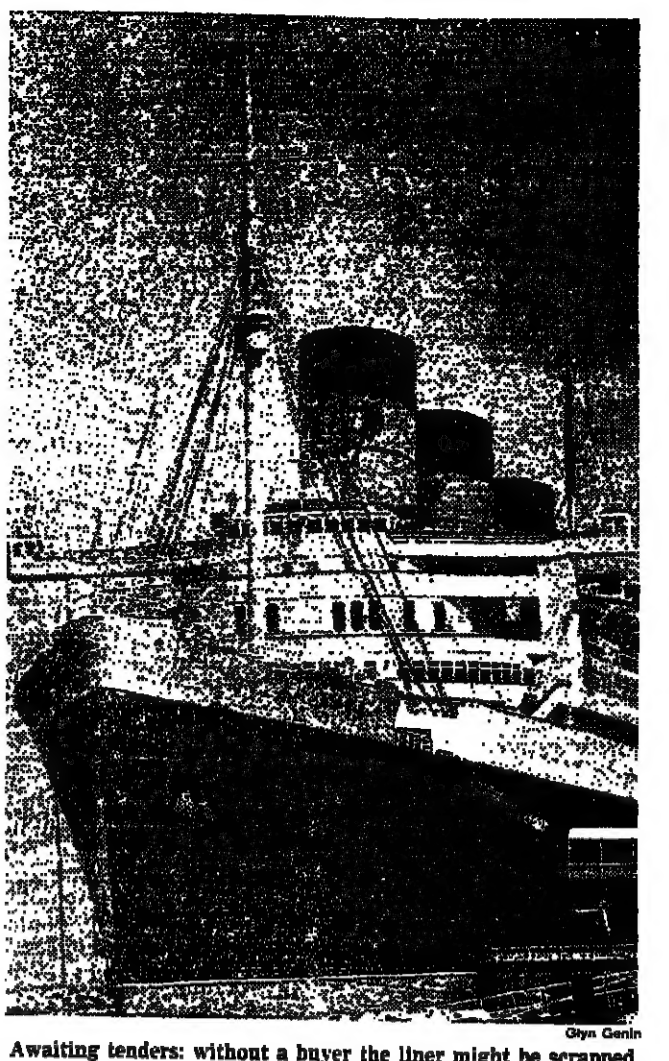
Rotterdam-based Smitwis Towage has estimated that returning the vessel to the UK would take about 300 days as long as the ship was seaworthy. She is too big for the Panama Canal, so would have to be towed round Cape Horn.

In her prime the vessel crossed the Atlantic in four days.

British maritime experts say the Southampton project would be costly and unlikely to make money. Ms Janet Hales, secretary of the Maritime Trust, said: "The maintenance costs of such a huge vessel would be tremendous. If Disney cannot operate it successfully the chances of doing so in the UK are very remote."

Rados International, a US naval engineering company, has estimated total repair costs at \$27m, including \$2m to replace watertight bulkheads.

The costs, which persuaded Disney to terminate its lease, could force Long Beach to scrap the ship if it fails to find a buyer with considerable financial muscle. Shipping enthusiasts fear that the authorities may have to break up the liner or tow her into the Pacific, where she could be sunk.



Awaiting tenders: without a buyer the liner might be scrapped

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Saturday August 22 1992

UK still in recession

THE SECOND quarter of 1992 was not, it turns out, when the UK's long recession came to an end. With the 0.1 per cent decline in overall gross domestic product, the recession, like an unwelcome guest, kept its foot in the door. But it was no more than the oil and gas extraction foot that stayed. The rest of the economy did grow by 0.1 per cent.

Nonetheless, output must now rise by more than 1 1/4 per cent between the first and second halves of 1992 if GDP is not to shrink yet again this year. The Treasury's forecasts of 1 per cent growth in GDP between 1991 and 1992 are, once again, for the waste paper basket.

Almost all sectors of the economy were either stagnant or shrank between the first two quarters. The exception was manufacturing, which grew by 0.4 per cent. But this growth will not endure without a sustained increase in final demand.

The post-election bounce in demand has not been maintained. While the three months to July saw retail sales 0.3 per cent higher than in the previous three months, July itself registered a small decline. Worse, the latest distributive trades survey from the Confederation of British Industry, taken in late July and early August, was unrelentingly gloomy. A third of respondents said the volume of sales in July was higher than a year ago, but 48 per cent said it was lower.

Car sales have been particularly disappointing. The change of registration prefix in August is supposed to stimulate the appetites of the car buyer. It has not done so. Sales have merely matched last year's dismal levels. No wonder Ford UK felt obliged to announce a three-day week.

Unsold vehicles

Carmakers must cut their stocks of unsold vehicles. Should that pattern become more general, manufacturing output will turn down once more. Happily, the figures on stocks released this week do not support the gloomiest view. They show not involuntary accumulation, but a decline of £1,030m, at 1985 prices, in the value of the stocks held by manufacturers, wholesalers and retailers during the second quarter. But stocks of finished goods with manufacturers still rose by £149m.

Restocking is, in any case, not enough to create a strong recovery. That depends on final demand. But the government has just tightened its system for controlling future levels of public spending. Meanwhile, as the Bank of England's Quarterly Bulletin notes, non-oil export volumes rose by only 0.8 per cent between the second half of 1991 and the first

half of 1992. This is particularly depressing in the midst of a deep recession, precisely when one might expect exports to soar. Private consumption is, in any case, much the most important component of demand, accounting for almost two-thirds of the total. It is the failure of consumers to spend that worries the government most.

Not long ago Mr Stephen Dorrell, the finance secretary, insisted that low inflation was bound to generate the confidence to spend. He also noted that since joining the ERM a family on average earnings with a £30,000 mortgage had seen real disposable income rise by 18.5 per cent, or £35 a week. So why are all those ungrateful families not going out to spend and spend?

Silly time

The simplest answer is that low inflation cannot generate confidence in people who have just bet on high inflation. Moreover, the Treasury seems unable to grasp that especially in an economy with a liberalised capital market a very high proportion of private spending is, in fact, investment. This is not true just of housing. It is also true of cars, washing machines, refrigerators. The timing of such purchases is alterable. Right now seems a silly time to buy.

On the basis of current retail price inflation and short-term rates of interest, the real rate of interest is 6 per cent. If the prime minister is right about zero inflation, the long-term real rate of interest verges on 9 per cent. Why borrow to spend now, when one can save and buy still more later? Low inflation does, indeed, breed confidence. But it is the confidence to save; not the urge to spend.

Past experience gives a still more powerful reason to postpone consumption and reduce debt. People borrowed five years or so ago because they believed they were richer than they actually were and that they would get still richer by buying houses and other real assets. Now they are far poorer than they thought, itself a good reason to lower consumption. In addition, the highest return investment available is to reduce their indebtedness.

What the government offers the consumer, a world of zero inflation, is no reason to spend. For indebted consumers, for consumers who fear the loss of a job, for consumers - almost 1m of them - with negative equity in their houses, zero inflation is an excellent reason to save. The government's promised elimination of inflation is not a solution to the recession; it is becoming a contributory cause.

When Japanese shares touched their latest six-year low in the middle of the week, they appeared to offer some remarkable bargains. Even after the 13 per cent rally in the Nikkei index in the past three days, you can still buy blue-chip Japanese stocks at prices that have not been seen in years - ones that look particularly cheap when you compare them with the levels of share prices on Wall Street.

Companies such as Matsushita, the electronics giant; Nissan, the car manufacturer; Hitachi, the electrical and electronics producer; and Fujitsu, the computer company, are all selling at below the book value of their assets. You can buy Toyota shares at only 11 times its last reported earnings per share; on this basis, Ford and GM, both loss-making in their latest financial years, are more expensive. Fuji Photo is selling at 13 1/2 times earnings; Kodak at 13 1/2.

When you buy a share, you are acquiring rights to a future stream of corporate earnings. The rate at which those earnings rise is a critical determinant of how successful the investment will prove.

If you can buy a Japanese company's current earnings stream at roughly the same price as you can buy that of an American company, the better bet is the one that is likely to grow faster. Now, given the developments of the past 40 years, which do you think is likely to raise its earnings faster, a Japanese company or an American one?

Alas, western investors fell for a similar line of argument a year ago, with the Nikkei index at 32,000. International fund managers piled into Japan; Scottish fund managers, famous for their caution and long-term view, found prices particularly attractive. This week, they found themselves sitting on paper losses of nearly 40 per cent.

International fund managers are therefore holding back, unsure whether current Tokyo share prices represent the buying opportunity of the decade, or yet another false bottom. After all, the Nikkei is still swinging wildly; some people say it could halve again. Unlike last autumn, investors now have Japanese economic conditions to worry about: in the process of deflating Japan's huge late-1980s bubble of property and share prices, the government has squeezed the economy to a standstill.

Companies are suffering. The price/earnings ratios mentioned earlier are historical ones, relating in some cases to fiscal years that ended in the middle of 1991. Since then, Japanese earnings have fallen steadily. Toyota's historical p/e ratio, based on the financial year that ended in June 1991, is indeed 11; but the consensus estimate for the year that ended in June 1992, as calculated by the IBES survey of analysts' forecasts from around the world is 19. The estimate for the year now under way is 18.

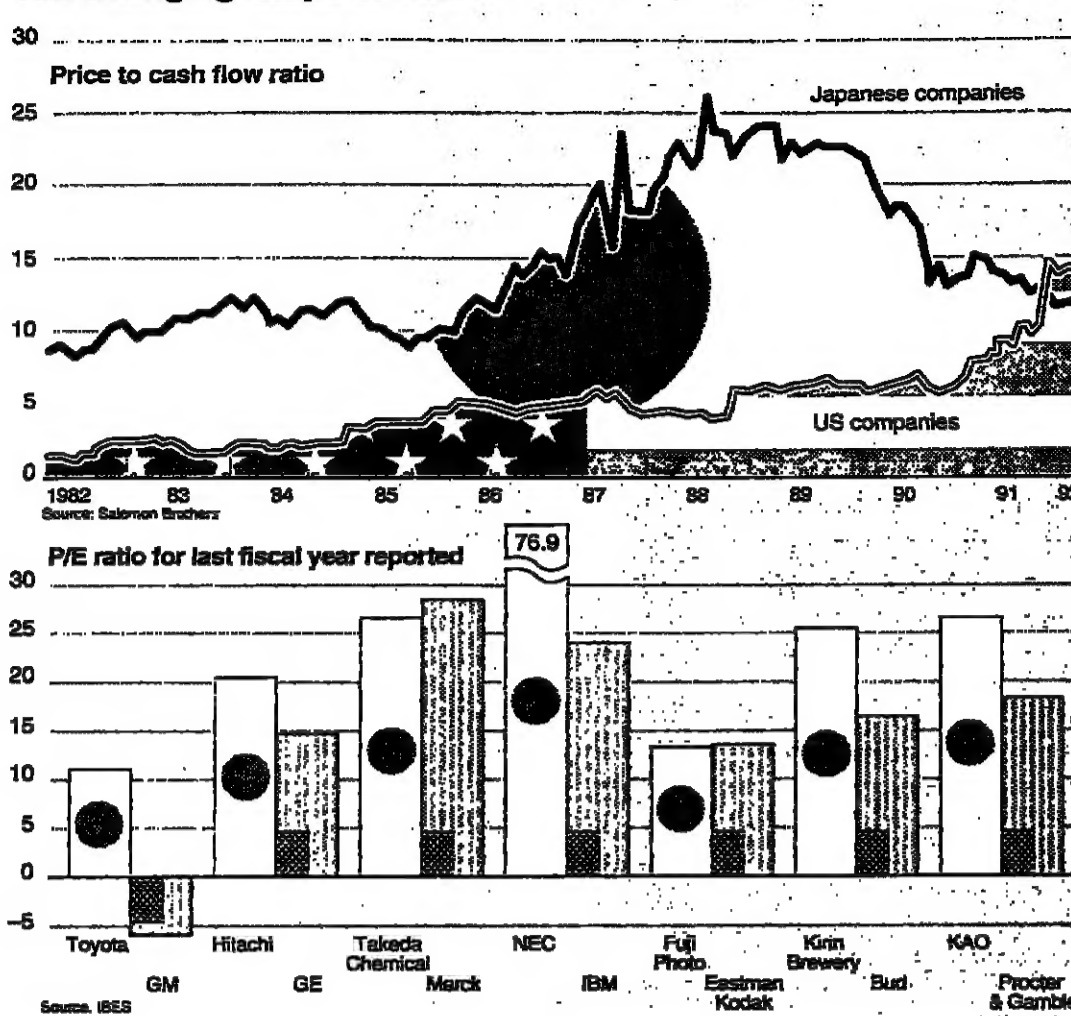
That may be too optimistic. Corporate earnings forecasts for the fiscal year to March 1993 have begun to seem too bullish, as the expected economic recovery in the second half is now seen as unlikely to materialise. Consumer demand, which was expected to help the economy rebound in the latter half of this year, is declining rapidly, and economists are revising down their economic growth forecasts.

On current forecasts, the market is a whole is selling at a price/earnings ratio of 36. But, says Mr Craig Chudler, strategist at UBS Phillips & Drew in Tokyo: "A 10 per cent

Japanese shares look cheap by international standards, but history offers a warning to investors, says Peter Martin

Good buys, but a risky business

The changing shape of value



downward revision in earnings forecasts for the year would bring up the p/e ratio to about 40 times, which is still expensive internationally and historically.

But price/earnings ratios do not tell the whole story. Japanese reporting conventions arguably understate companies' profitability, so investors have been used to buying their shares on far higher price/earnings ratios than those of western companies, even before the 1980s Tokyo stock market surge. The opportunity to buy some, at least, of Japan's blue-chip companies at broadly comparable ratios to their US rivals is unusual.

Just as important, Japanese companies invested so much in capital equipment in the late 1980s that they now have huge depreciation charges, which hold down their profits. "On a price/earnings ratio, only Fuji Photo looks really cheap," said one international fund manager this week. "You have to look at price/cash flow ratios to find the real bargains."

Cash flow - profits with depreciation added back in - is a measure of underlying trading performance. Nissan and Fujitsu, for example, are both selling at less than four times

cash flow, if you consolidate the figures for all the companies in these groups. Calculations by Salomon Brothers, the investment bank, illustrated in the main chart, show that a group of big blue-chip Japanese companies, after years of selling at a higher price in cash-flow terms than their American equivalents, finally became cheaper this spring. Since then, the gap has probably widened.

Cash-flow arguments highlight the real uncertainty from an investor's point of view: just what will the companies do with their cash? In the 1980s, Japanese companies raised money at extraordinarily low interest rates, and ploughed it into low-return investments, both at home and abroad. "There was a blow-out in discretionary expenditure in the late 1980s, and total lack of interest in feeding any of it through to the bottom line," says one international money manager. A Tokyo analyst adds: "Many of these activities increased rather than decreased the break-even point."

If Japanese companies continue the pattern of the past, investors

should not necessarily count on obtaining the benefits of all that cash flow; so its apparent cheapness may prove illusory. Assessing the value of Japanese stocks thus turns on the question of whether anything has happened to change the way Japanese managers behave.

One thing has happened. The cheap money of the 1980s has vanished, and Japan's cost of capital has risen sharply. Managers, chastened by the low returns on their spurge of capital expenditure, are assessing projects much more rigorously. Companies, faced with repaying cheap money and replacing it with much more expensive borrowings, are thinking much harder about profitability.

Mr Richard Koo, an economist at Nomura Research Institute in Tokyo, wrote a much-talked-about paper in the spring, focusing on Japanese companies' chronic inattention to profitability, and arguing that it was now about to change. This week he said: "Quite a few Japanese companies are taking that paper very seriously. The problem is they are stuck with existing product lines." Products suitable for a volume-oriented strategy are not those on which a successful drive

for greater profitability can be based. You will not see the results of a change in strategy, he argues, until the next product cycle.

In the meantime, however, Japanese companies have one option: they can turn off the spending taps. That could produce a much more rapid bounce-back in profits when the economy starts to recover than Tokyo analysts expect. But investing on that basis is a bet on the timing of the Japanese economic cycle, a risky business given the strains to which the economy has been subjected. There are signs that the Japanese government is at last taking the situation with the seriousness which the markets believe it deserves. Much hangs on the government's economic package, scheduled for August 28. If that is judged less than the occasion demands, this week's brief stock market recovery could be speedily undone.

There is one additional factor for investors to consider. Even if everything goes right for Japanese companies from here on, that does not mean share prices will respond in the way they would in the west. Western stock markets - particularly Anglo-Saxon ones - have had many decades of judging share prices in terms of valuation: weighing up the likely future income streams of companies, and calculating how cheap or dear that makes their shares. They do not always get it right, and they are prone to swings of mood that drastically affect the projections of future earnings and the value placed today on a dollar of earnings tomorrow. But the analytical framework is a shared one, and investors can be reasonably sure that, if they identify bargains correctly, others will in time come to adopt their view, driving the share prices up and rewarding early purchasers.

In Tokyo, things are different. "There is no discipline of valuation in this market," says one British banker based there. Japanese investors have traditionally held a large portion of their assets in a passive form, determined as much by long-term corporate relationships as by investment judgment. The portion left over for discretionary investment has been used to place short-term bets on stocks which were already moving up - what is known as the "momentum" theory of investing. The momentum approach says that you do not bet on a stock that is down.

During the bubble years, when shares were going up along with everything else, industrial companies poured some of the cheap money they were raising into the stock market.

That was fine when the market was going up, but now the market has halved. What seemed like sure-fire investments are now hopeless money-losers. Industrial companies - and retail investors - are deeply unhappy with their share portfolios, and keen to get out if they can do so with any degree of honour. Any rally is a signal for selling - so rallies do not last long.

In the very long run, of course, a bargain stock remains a bargain. But in Tokyo, the mechanism that will drive it up from its low levels is imperfect. So buying now in expectation of a rise as others come to share your view about a stock's appeal is a dangerous business. As one New York-based investor put it this week: "I've covered all my short-sales in Tokyo - but I haven't started buying yet."

Additional reporting by Emiko Terazono in Tokyo

Ugly scrum in South Africa

Patti Waldmeir on a symbolic battle for political power at the rugby ground

Strange as it may seem for the land that invented apartheid, racial hatred seldom darkens a normal day in Johannesburg. But these are not normal times in South Africa. A raw battle for political power is under way, and the battlefield stretches from township street to rugby stadium.

Thousands of rugby-mad whites at Cape Town's Newlands stadium will today have a chance to show whether they value the country's sense of interracial goodwill which has for so long defied the logic of apartheid - but which is under serious strain. They will be called upon to stand and observe a minute's silence for the victims of South Africa's political violence - almost all of them black. The occasion will be white South Africa's chance to demonstrate a spirit of reconciliation. Such gestures have become rare in recent months, whether from average citizens or from political leaders, white and black. The prospects for peace and progress in South Africa will partly depend on the rugby crowd's behaviour.

The omens of the past week are not favourable, however. Last Saturday, when South Africa's rugby side met New Zealand's All Blacks, white fans defied the sporting atmosphere with a loud and emotional rendering of the South African national anthem, a potent symbol of Afrikaner nationalism and for blacks, the ultimate token of apartheid. One liberal spectator tried to convey the ugly tone of the incident: "People who didn't even know much Afrikaans (the language in which die Stem is written), who had certainly never sung it before, were singing so loud that the veins were standing out on their foreheads."

In the emotionally charged atmosphere of South Africa's first international rugby match for eight years - a match made possible by the anti-apartheid movement's decision to drop sport sanctions against

Pretoria - some local newspapers commented that the incident had amounted to an obscene gesture directed at the new multi-racial South Africa.

"The very first chance we get to demonstrate new attitudes, to make some gesture towards reconciliation, we succeed only in showing ugly intransigence," commented a shocked spectator in the weekly Financial Mail.

But the incident reflected more than racial intolerance. It demonstrated an explosive anger among whites at their new and unaccustomed sense of powerlessness in the face of black political power. After 350 years as the dominant race, whites at the Ellis Park stadium found they had to accept restrictions by blacks, in the form of the African National Congress (ANC), which had banned the official display of national symbols, such as flags and anthems, at the match.

Their response was defiance - they waved thousands of small flags, and twice spontaneously sang the national anthem, die Stem. It was also played officially, an act of defiance from a renegade rugby administrator.

The message from Ellis Park was clear - whites may have voted to abolish apartheid in this year's referendum, but they did not vote for black rule. Ellis Park became just one more battlefield in the contest for power in the new South Africa - a chilling expression of ethnicity which both sides ignore at their peril.

That contest, which has led to the breakdown of constitutional talks over the issue of black majority rule versus multi-racial power sharing, sparked a two-day general strike earlier this month and widespread labour disruption. It has left 7,000 dead in black townships since 1990, and has also taken a heavy toll on the country's morale.

Immigration lawyers from Australia have found it fruitful to visit



Johannesburg again, as white confidence plunges new depths and professionals plan their escape from a troubled multi-racial future. "Planning to emigrate?" asks the cheerful voice of the local radio announcer, ready with advice on international removals companies.

Business, too, is fed up with political failure at the highest levels, and is casting around for its own separate peace with the unions to permit economic life to go on. Indeed, this month's general strike was nearly averted by a deal between the employers' body, Saccola, and the largest union federation, Cosatu. It involved agreement on a one-day work stoppage and on issues such as training and job creation. The accord failed in the end,

but could be revived in future.

Businessmen acknowledge such a deal would be largely a stop-gap measure. Business and the unions, on their own, cannot bring growth to an economy more troubled than at any time in recent memory. Real per capita GDP is expected to have shrunk by 9 per cent between 1990 and 1992, according to the Old Mutual, one of the country's leading insurers. Nothing short of a political deal can attract the investment needed for significant economic expansion.

Such a deal - either involving agreement on a multi-racial interim government to restore order or a more comprehensive constitutional settlement yielding multi-party democracy - has so far proved elusive. Yesterday's news of a meeting between government and ANC officials is at best only a step to the resumption of talks.

Both Mr FW de Klerk, the president, and Mr Nelson Mandela, his ANC counterpart, have repeatedly failed to rise above partisan political concerns in the interest of a broader national agenda. Indeed, Mr de Klerk seems to believe that strengthening his National Party serves the national interest by ensuring a powerful opposition to black majority rule. He also continues to prove unable or unwilling to take sufficiently strong action against his security forces.

Both men should take note. Most blacks are fed up with the violence and poverty which for black South Africans are the most salient facts of life after apartheid. They are unlikely to support the open-ended campaign of mass action favoured by ANC radicals. Whites, meanwhile, are at best despondent, at worst angry. South Africa needs a deal soon to restore at least a measure of stability.

The country's leaders may find that, if they miss this opportunity for peace, another may not open up for some time.

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Major's deskful of difficulties

Philip Stephens says problems are piling up in the in-tray

It is so long ago it was a truism that government popularity rose in August. The royal family replaced ministers of the crown as the favourite targets of the tabloids. The latest furore surrounded the Duke of York's claim that some things have not changed. But Mr John Major is learning the hard way that politics and the foreign exchange markets are no longer respectful of the holiday calendar.

When he returns from Spain tomorrow he will find that none of the problems he left behind has gone away; and that several more have been added to a crowded prime ministerial in-tray.

The Labour party, under the leadership of Mr John Smith, is promising to emerge from its post-election shock to take full advantage of Mr Major's discomfort.

In recent years August has become a month for international crises. In 1981 it was the abortive coup in the former Soviet Union; the year before, Iraq invaded Kuwait. Now it is the war in Bosnia and the threat of renewed hostilities with Iraq.

The latest conflicts forced Mr Major to interrupt his break

this week to announce that RAF warplanes would be sent to protect Shia communities in southern Iraq, and ground troops would be sent to enforce the 12 that there was a treaty and easy solution to the disintegration of the former Yugoslavia.

But for a prime minister who only four months ago was celebrating a general election victory, it has been an unusually difficult August. The storm clouds over Bosnia and the Gulf have coincided with a darkening domestic scene.

Announcements this week of the eighth consecutive quarterly fall in national income, of another drop in retail sales, and of short-time working at Ford motor plants, were only the latest in a series of gloomy economic indicators.

The volume of public criticism from Tory MPs has been turned down but their private unease has not dissipated. Critical motions on the agenda for the Brighton party conference in October confirm the disquiet of constituency activists.

Growing uncertainty over the outcome of the French referendum has bolstered the confidence of the Tory Euro-scep-

tics. As the pound sinks to new lows against the D-mark, they have linked the pain of the recession with the prime minister's pro-European stance, including commitment to the exchange rate mechanism.

The Euro-sceptics now hope that a "no" vote in France on September 20 will both wreck the treaties on European union and tear apart the ERM. The best guess in Whitehall remains that the French are more likely to vote Yes. But few will stake money on it.

Then there is the council tax. Many of the recent warnings that falling house prices will result in unfairly high bills have proved more than political mischief-making than to cool analysts. The average tax bill will be determined by the level of council spending and the number of households rather than by movements in property values.

But it is true that the burden of the tax will fall disproportionately on the south-east: the area worst-hit by the recession and by a debt trap that has left a million households with mortgages higher than the value of their properties. So a widespread perception that the

tax will be inherently unfair could take hold.

The Treasury will be told to provide a substantial financial cushion to ease the new tax. But that in turn will make even harder the task of the cabinet committee charged with overall control of public spending.

The new arrangements will inject a degree of political logic into the annual share-out of resources. But when the committee meets for the first time next month it will be unable to avoid harsh decisions on where the axe must fall.

Mr Major is aware that more must be done to give definition to his economic strategy. Too many people, Tories among them, have been left with the impression that his programme for the next five years consists of holding the pound at DM2.95.

So a renewed effort to persuade people that the price of permanently low inflation is worth the pain can be expected. Ministers will seek to persuade voters and their own supporters that price stability will provide the backdrop for the tax cuts and higher-quality public services promised dur-

ing the election.

It will not be easy. Downing Street expects the pressure on sterling to intensify as the French referendum approaches. Mr Norman Lamont, the chancellor, will do all he can to avoid an interest rate rise, but if the opinion polls point to a "no" vote in France that may be impossible.

One of the prime minister's first tasks will be to sift through the options for an emergency package of measures to accelerate recovery if the unease in the Tory party over the economy and Europe threatens to turn into rebellion.

Establishing a grip on the EC presidency will be impossible until France makes up its mind. Uncertainty leaves the sceptics with the initiative.

Alongside that lies the risks of military involvement in the Balkans and the Gulf. Mr Major's sombre demeanour after his reluctant decision to send ground troops to Bosnia underlined concern that British troops may become entangled in the bloody conflict.

Few expect the Yugoslav peace conference, which Mr Major will co-chair in London next week, to halt the fighting. The public opinion which demanded action could quickly

change if British soldiers begin to join the list of casualties.

It all adds up to a formidable array of political challenges. There are those who detect silver linings in many of the clouds.

The economy is showing signs at least of stirring. The inflation rate is tumbling. The French could yet vote "yes", easing pressure on the ERM



And the prime minister is a much tougher and resourceful politician than he is given credit for. But for now Mr Major is returning to an in-tray overflowing with distinctly uncomfortable uncertainties.

Every day at 6am, Mrs Nicole Barradale opens the doors of Le Ventador, the cafe that she owns off the bustling Boulevard de l'Opera in Paris. She cleans the cafe, issues instructions to her staff, then sits on a stool under a lamp, selling cigarettes and stamps from the tobacco kiosk.

"My routine has been the same for 15 years," she says. "In all that time I've only ever had two weeks of holiday. I come to the cafe even when I'm ill. I don't think what would happen to it without me."

Almost every street in Paris has its cafe au coin, ruled with a rod of iron by a patroness such as Mrs Barradale, wearing a black cardigan, whatever the weather, with gracious smiles for her regulars and frosty looks to strangers.

But France's cafes are dying. More than 5,000 disappear each year, according to official figures. There were 610,000 cafes in France during their heyday in 1910. By 1960 there were 200,000 and by 1990 just 70,000. The consensus is that there will be only 50,000, to 60,000 cafes left by the year 2000.

Small cafes have borne the brunt of the decline. France's smart res-

taurants are flourishing. Three weeks' advance booking is needed for those with three Michelin stars. The legendary literary cafes in Paris are packed with tourists. Aux Deux Magots on Boulevard Saint-Germain is so full of foreigners hoping someone will come along to play Simone de Beauvoir to their Jean-Paul Sartre that the locals flee to Cafe de Flore down the road. Brasserie Lipp across the street is so busy that it can afford to turn away tourists - too many and the locals might be offended.

Life is very different for the cafe au coin, the neighbourhood bistrot and the cafe-tabacs with their tobacco kiosks at the end of the bar. They are the galle equivalent of Britain's pubs and the US neighbourhood bars. They belong to the locals where workers went back to the same zinc-topped bar night after night to knock back heavy *ubi du pays* with Johnny Rabbat records crooning from the jukebox.

Mr Pierre Discazeaux ran a cafe-tabac on Rue Saint-Anne in central Paris for seven years. Three years ago he turned it into a tobacco-shop. The cigar-shaped tobacco sign still hangs outside, but

the cafe fixtures have been taken away to make room for shelves of sweets, cigarettes, newspapers and magazines. "It's much better like this," he says. "I don't have to work so hard and I make more money. The cafe was always a struggle. There was no future in it."

The demise of the cafe au coin reflects broader changes in the French way of life. Many of the old cafes were in city centres, or close to factories on the fringes. They have been the scene of business deals and factories have moved to the suburbs and factories have closed or contracted.

Le Cochon à l'Oreille has been a bistro in the Les Halles area of Paris since 1913. Its original customers were the workers from the nearby fruit and vegetable market, who popped in for meals between shifts. After the market closed in 1969 it struggled along, drumming up custom from the remnants of

Alice Rawsthorn on the passing of a French institution

Au revoir les cafes



Cafe society: fast-food outlets are luring away the old clientele

sprung up around Les Halles. "The neighbourhood has changed and we changed with it. Life hasn't been easy but we've survived."

Others have been less fortunate. The biggest single blow to an old-fashioned French cafe is the news that a fast-food outlet is opening in its area. McDonald's, Burger Kings, sandwich bars and croissanteries now offer an efficient alternative to the traditional snack at a local bistro.

One of the factors that persuaded Mr Discazeaux to close his cafe was the growth of the deliver-to-the-door sushi bars along Rue Saint-Anne, now the main Japanese eating area in Paris. Le Cochon à l'Oreille faces stiff competition from the nearby branch of L'Ina, a chain of the fast-food shops.

An analysis by the French restaurateurs' association showed that a typical cafe loses 90 per cent of its business if a McDonald's opens in its area.

Sushi and Big Macs are only part of the problem. The traditional French cafe is a victim of modernity. Almost all the changes in postwar lifestyles have contributed to its decline. Television tempts people to spend more time at home.

Fax machines mean they need fewer stamps from the tabac. Microwave ovens make it easier to whip up quick snacks rather than to nip into a bistro. Espresso coffee makers mean office workers no longer need to go to a zinc comptoir for their cappuccino.

The cafe au coin is out of tune with the times. The customers are mainly male blue-collar workers in their 50s or 60s. It is unusual to see anyone under 30 in a traditional cafe-tabac unless they are with older workmates. Young Parisians go to sombre bars in Pigalle and Bastille, where they play chess and read poetry. Shéhérazade, one of the hottest clubs in the city, opened earlier this year with a neo-Surrealist arts event.

Mrs Christianne Tanpin took over Café du Perron, a cafe-tabac on Rue des Saints-Pères, four years ago. She manages to stay in business thanks to a loyal band of regulars who work nearby, but there are few newcomers. "I'd be finished without my regulars," she says. "Young people just don't go to cafes any more. I can't even get them to work here. The hours are too long and the pay is too low. Cafes are closing all the time."

LETTERS TO THE EDITOR

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When house prices come home

From Mr John Williams.
Sir, I am delighted that Lex (August 18) has reflected that 90 per cent of UK house owners are not burdened by "negative equity" and that fear of unemployment is the most influential factor for potential house buyers.

But I should point out that I, as an intending first-time buyer, am uninterested in the prospects for house price rises. Instead, I am interested in when prices are likely to stop falling. The difference may seem academic in the world of economic forecasting. But in buying a house in which to live (not to "do up and sell"), as long as I do not pay more than necessary, I do not care if house prices never rise again.

I don't think I am alone in this view. Inflation in house prices is as bad a curse as any other kind of inflation.

John Williams,
18 Valley View,
Jesmond,
Newcastle upon Tyne,
NE2 3JS

Regulating party profit

From Mr G Griffiths.
Sir, If the government is to tighten the law governing trade unions' political funds - requiring a union to get written authority from each member before using any portion of his contribution for political purposes - perhaps it should simultaneously amend company law.

Individual shareholders cannot stop directors giving part of their profits to a political party and, unlike union members, they cannot opt out.

A shareholder should have a right similar to a union member, namely to allow only a portion of company's profits to be given for political purposes. A company's political contribution should be deducted, in proportion to the shares held, only from the dividends of those shareholders who expressly wish it.

G Griffiths,
Flat 2, Eversleigh,
48 West Cliff Road,
Bournemouth, Dorset BH4 8BB

A misplaced furore over the methods of creative accounting

From Mr Jon Prentice.
Sir, The furore over Terry Smith's book is greatly overdone. His is not the first on its subject: there was, for example, Ian Griffiths' *Creative Accounting* in 1986. Much of the material can be found in monthly management journals.

The accounting practices are not necessarily devious either. Why should interest not be included, with the other costs of building an asset, in its value on the balance sheet? If a factory, of little value to anyone else and really only a pass-part to future earnings, appears on the balance sheet, why can't a brand, which combines both virtues? And why draw attention to a contingent liability like a claim for negligence or under warranty, when

to do so would lend credence to an otherwise fragile lawsuit?

There is, in any case, much unresolved confusion, even among specialists, about balance sheets. Some regard them as accurate summations of all past transactions; others, preferring relevance, as statements of current value.

The problem exists because we have a stock market which expects something (smoothly increasing profits), and corporate legislation which prevents it. Reports are required at arbitrary intervals (12 months) bearing little relation to a company's natural trading cycle.

We should not, therefore, blame companies which use creative accounting to transform an "annual" series of fluctuating results (such as £4m

Reducing PSBR would spur private rented sector

From Mr Richard McManus.
Sir, Prof Gavin McCrone probably over-estimates the need for tax concessions to revitalize the private residential rented sector (August 17).

A comparison between net rental yields at around 6 per cent and gilt yields at 9.5 per cent suggests investment in residential rental property is a poor option. Yet long-term rental payments and property values are inflation linked.

A London flat with a current open market value of £75,000 would be let to produce a net rental yield of around £4,500 a year. With modest inflation and if interest rates fall, the value of the flat increases. If the rental income stream and the open market value of the

flat increase by 3 per cent a year over 25 years, the net present value would be about £12,000, with a discount rate of only 6 per cent.

This compares favourably with a £108,000 net present value of £75,000 of gilts yielding 9.5 per cent over 25 years with the same discount rate.

It is only if the government eliminates inflation that gilts are a far better bet, and fully funding the PSBR "crowds out" necessary institutional investment in residential rental property. But reducing government borrowing must be better than compensating tax concessions.

Richard McManus,
44 Upham Park Road,
London W4

Press is judged by own standards

From Mr Mark Bolland.
Sir, In your Leader yesterday ("Privacy and the press") you perpetuate an inaccuracy often heard in discussions on this issue.

You write that "the Press Complaints Commission has attempted to set its guidelines in terms of the public interest". But, to the contrary, the newspaper industry's code of practice, which the commission

upholds, was framed by editors.

It is fundamental to the new self-regulatory system that the commission interprets and enforces the guidelines set by editors themselves.

Mark Bolland,
Director,
Press Complaints Commission,
1 Salisbury Square,
London EC4Y 8AE

Franchise by appointment

From Ms Sally Beynon.
Sir, Your coverage of such recent financial scandals as Maxwell, BCCI and Blue Arrow has been laudable. However, I do feel your usual high standards of investigation and analysis have slipped.

In your editions late this week I could discover no coverage relating to a leading Texan financier, Mr John Bryan: no pictures, bar charts, nor even an eight-page survey.

"Franchising the Royal Family".

The Financial Times must surely have an opinion: are his activities within the Financial Services Act (1986) or not?

Sally Beynon,
7 Cotton Road,
Grantham,
Cambridge

Toehold

From Mr Eric Coutts.
Sir, Could it be yet another indicator of the current recession that financial advisers now feel compelled to kiss their clients' feet?

Eric Coutts,
Flat 2,
101 Lee Road, London SE3

Blunderland before breakfast

From Mr Joseph Chubb.
Sir, Oh dear.

If one had to believe one impossible thing before breakfast, it would be that a Leader in your newspaper would have three misstatements in the first four lines.

Yet, sadly, it is not impossible, as your Leader ("Banking on the Impossible", August 18) indicates.

It was the White Queen, not the Red Queen. She did not make it a rule to believe, but rather in her youth believed, not six, but as many as six, impossible things before breakfast.

Oh dear.

Joseph Chubb
110 Riverside Drive,
New York,
NY 10024,
US

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	Money Day	23.25	192.00	Yearly	Term	192.00/192.25/192.50/192.75/193.00
	Money Day	23.40	194.00	Yearly	Term	194.00/194.25/194.50/194.75/195.00
	Money Day	23.55	196.00	Yearly	Term	196.00/196.25/196.50/196.75/197.00
	Money Day	23.70	198.00	Yearly	Term	198.00/198.25/198.50/198.75/199.00
	Money Day	23.85	200.00	Yearly	Term	200.00/200.25/200.50/200.75/201.00
	Money Day	24.00	202.00	Yearly	Term	202.00/202.25/202.50/202.75/203.00
	Money Day	24.15	204.00	Yearly	Term	204.00/204.25/204.50/204.75/205.00
	Money Day	24.30	206.00	Yearly	Term	206.00/206.25/206.50/206.75/207.00
	Money Day	24.45	208.00	Yearly	Term	208.00/208.25/208.50/208.75/209.00
	Money Day	24.60	210.00	Yearly	Term	210.00/210.25/210.50/210.75/211.00
	Money Day	24.75	212.00	Yearly	Term	212.00/212.25/212.50/212.75/213.00
	Money Day	24.90	214.00	Yearly	Term	214.00/214.25/214.50/214.75/215.00
	Money Day	25.05	216.00	Yearly	Term	216.00/216.25/216.50/216.75/217.00
	Money Day	25.20	218.00	Yearly	Term	218.00/218.25/218.50/218.75/219.00
	Money Day	25.35	220.00	Yearly	Term	220.00/220.25/220.50/220.75/221.00
	Money Day	25.50	222.00	Yearly	Term	222.00/222.25/222.50/222.75/223.00
	Money Day	25.65	224.00	Yearly	Term	224.00/224.25/224.50/224.75/225.00
	Money Day	25.80	226.00	Yearly	Term	226.00/226.25/226.50/226.75/227.00
	Money Day	25.95	228.00	Yearly	Term	228.00/228.25/228.50/228.75/229.00
	Money Day	26.10	230.00	Yearly	Term	230.00/230.25/230.50/230.75/231.00
	Money Day	26.25	232.00	Yearly	Term	232.00/232.25/232.50/232.75/233.00
	Money Day	26.40	234.00	Yearly	Term	234.00/234.25/234.50/234.75/235.00
	Money Day	26.55	236.00	Yearly	Term	236.00/236.25/236.50/236.75/237.00
	Money Day	26.70	238.00	Yearly	Term	238.00/238.25/238.50/238.75/239.00
	Money Day	26.85	240.00	Yearly	Term	240.00/240.25/240.50/240.75/241.00
	Money Day	27.00	242.00	Yearly	Term	242.00/242.25/242.50/242.75/243.00
	Money Day	27.15	244.00	Yearly	Term	244.00/244.25/244.50/244.75/245.00
	Money Day	27.30	246.00	Yearly	Term	246.00/246.25/246.50/246.75/247.00
	Money Day	27.45	248.00	Yearly	Term	248.00/248.25/248.50/248.75/249.00
	Money Day	27.60	250.00	Yearly	Term	250.00/250.25/250.50/250.75/251.00
	Money Day	27.75	252.00	Yearly	Term	252.00/252.25/252.50/252.75/253.00
	Money Day	27.90	254.00	Yearly	Term	254.00/254.25/254.50/254.75/255.00
	Money Day	28.05	256.00	Yearly	Term	256.00/256.25/256.50/256.75/257.00
	Money Day	28.20	258.00	Yearly	Term	258.00/258.25/258.50/258.75/259.00
	Money Day	28.35	260.00	Yearly	Term	260.00/260.25/260.50/260.75/261.00
	Money Day	28.50	262.00	Yearly	Term	262.00/262.25/262.50/262.75/263.00
	Money Day	28.65	264.00	Yearly	Term	264.00/264.25/264.50/264.75/265.00
	Money Day	28.80	266.00	Yearly	Term	266.00/266.25/266.50/266.75/267.00
	Money Day	28.95	268.00	Yearly	Term	268.00/268.25/268.50/268.75/269.00
	Money Day	29.10	270.00	Yearly	Term	270.00/270.25/270.50/270.75/271.00
	Money Day	29.25	272.00	Yearly	Term	272.00/272.25/272.50/272.75/273.00
	Money Day	29.40	274.00	Yearly	Term	274.00/274.25/274.50/274.75/275.00
	Money Day	29.55	276.00	Yearly	Term	276.00/276.25/276.50/276.75/277.00
	Money Day	29.70	278.00	Yearly	Term	278.00/278.25/278.50/278.75/279.00
	Money Day	29.85	280.00	Yearly	Term	280.0

maxim's flagging fortunes

much to aim for in its core UK operations, but it also has to be prepared to diversify away from its major strategic priority, the food and drink business. We have 60 shops in Europe, four to five years in the market. We have 60 shops in Europe, four to five years in the market. We have 60 shops in Europe, four to five years in the market.

Simpsons

Any time any place any share.

European Assets Trust

ECONOMIC DIARY

TODAY: Mr. Mikhail Gorbachev, former Soviet president, visits Spain. **TOMORROW:** Referendum on Togo's new multi-party constitution. British Association annual meeting at Southampton University (until Friday). **MONDAY:** Central Statistical Office publishes figures for engineering sales at current and constant prices (June) and balance of payments current account and overseas trade figures (July). Middle East talks expected to resume in Washington. Western European Union (WEU) ad hoc group meets in Rome to consider report from military experts on how to provide armed escort for humanitarian supplies to Bosnia-Herzegovina. Mr. Pierre Joxe, French defence minister, visits Rome for talks on the Yugoslav crisis. **TUESDAY:** Interim statement from British Gas. Office of Health Economics compendium of health statistics published. **WEDNESDAY:** Building Societies Association issues monthly figures for July. The Department of the Environment gives statistics for new construction orders (June-provisional). US durable goods (July). Three-day international conference on Yugoslavia in London called by Britain due to be opened by Mr. John Major, prime minister, and attended by European Community, United Nations Security Council permanent members, Yugoslav factions and countries bordering the former Yugoslavia. **THURSDAY:** The Department of Trade and Industry publishes figures for energy trends (June). New vehicle registrations in July from the Department of Transport. US jobs claims; real gross domestic product (preliminary); import/export prices. **FRIDAY:** Confederation of British Industry trends enquiry (August). US personal income (July) and merchandise trade; balance of payments (second quarter).

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS		Friday August 21 1992		The Aug 20		The Aug 19		The Aug 18		Year ago		Highs and Lows Index	
2. SUB-SECTIONS		Figures in parentheses show number of shares per sector		Index		Index		Index		Index		1992	
CAPITAL GOODS (179)		716.98		-0.1		-0.2		-0.3		-0.4		700.44	
1. Building Materials (23)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
2. Engineering - Aerospace (6)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
3. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
4. Electronics (27)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
5. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
6. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
7. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
8. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
9. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
10. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
11. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
12. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
13. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
14. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
15. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
16. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
17. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
18. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
19. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
20. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
21. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
22. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
23. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
24. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
25. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
26. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
27. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
28. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
29. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
30. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
31. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
32. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
33. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
34. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
35. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
36. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
37. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
38. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
39. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
40. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
41. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
42. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
43. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
44. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
45. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
46. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
47. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
48. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
49. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
50. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
51. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
52. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
53. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
54. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
55. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
56. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
57. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
58. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
59. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
60. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
61. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
62. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
63. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
64. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
65. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
66. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
67. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
68. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
69. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
70. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
71. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
72. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
73. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
74. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
75. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
76. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
77. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
78. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
79. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
80. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
81. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
82. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
83. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
84. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
85. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
86. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
87. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
88. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
89. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
90. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
91. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
92. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
93. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
94. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
95. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
96. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
97. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
98. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
99. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	
100. Engineering - General (43)		739.75		-0.1		-0.2		-0.3		-0.4		713.03	

FIXED INTEREST

PRICE INDICES		Fri Aug 21		Day's change %		The Aug 20		Accrued Interest		Ytd adj. 1992 to date		British Government		26 26 (approx.)		High		Low					
												1	Low	5 years	8.64	8.61	8.92	9.43	2 1/4	7.91	1 1/8		
												2	Coupon	15 years	8.88	8.85	9.65	9.72	1 1/4	8.65	9 1/7		
												3	0% - 7 1/2 %	20 years	8.88	8.85	9.65	9.72	1 1/4	8.65	9 1/7		
												4	Medium	5 years	9.47	9.42	10.02	10.28	1 1/4	9.01	3 1/7		
												5	Coupon	15 years	9.08	9.05	9.82	10.02	1 1/4	8.84	1 1/8		
												6	6% - 10 1/4 %	20 years	9.02	8.97	9.78	9.76	1 1/4	8.81	2 1/8		
												7	High	5 years	9.70	9.65	10.20	10.50	1 1/4	9.22	3 1/7		
												8	Coupon	15 years	9.28	9.24	9.94	9.96	1 1/4	9.00	3 2/5		
												9	Low	20 years	9.18	9.18	9.84	9.84	1 1/4	8.94	1 1/8		
												10	Irredeemables	5 years	9.13	9.12	9.85	9.92	2 1/4	8.95	14 1/7		
												Index-Linked											
												11	Inflation rate 5 %	Up to 5 yrs.	4.23	4.28	3.91	4.44	13/8	3.52	4 1/4		
												12	Inflation rate 5 %	Over 5 yrs.	4.57	4.54	3.47	4.60	1 1/4	4.27	17 1/2		
												13	Inflation rate 10 %	Up to 5 yrs.	4.38	4.38	3.91	4.44	13/8	3.52	4 1/4		
												14	Inflation rate 10 %	Over 5 yrs.	4.38	4.35	3.47	4.42	1 1/4	4.07	17 1/2		
												Debt & Loans											
												15	Debt & Loans	5 years	10.68	10.67	11.73	11.51	1 1/4	10.30	8 1/8		
												16	Loans	15 years	10.38	10.38	11.51	11.22	1 1/4	10.07	1 1/8		
												17	Loans	25 years	10.24	10.25	11.32	11.02	1 1/4	9.98	1 1/8		
40p index 2362.8; 9 am 2367.7; 10 am 2372.7; 11 am 2373.8; Noon 2370.5; 1 pm 2370.7; 2 pm 2370.4; 2.30 pm 2369.4; 3 pm 2369.3; 4.10 pm 2366.0; 10 1/2 24 am 8.50 am																							
Empty section or group		Base date		Base value		Empty section or group		Base date		Base value		Empty section or group		Base date		Base value		Empty section or group		Base date		Base value	
Business Services		31/12/90		999.65		Telephone Networks		30/12/84		517.92		Food Manufacturing		29/12/87		114.13		Food Manufacturing		29/12/87		114.13	
Electricity		31/12/90		999.65		Electronics		30/12/85		1646.65		Food Retailing		29/12/87		114.13		Food Retailing		29/12/87		114.13	
Engineering - Aerospace		29/12/89		122.68		Other Industrial Products		31/12/89		287.41		Insurance		29/12/87		114.13		Insurance		29/12/87		114.13	
Engineering - General		29/12/89		496.00		Health/Household Products		30/12/77		261.77		All Other		29/12/87		114.13		All Other		29/12/87		114.13	
Wales		31/12/86		109.44		Other Group		31/12/74		63.75		British Government		31/12/75		100.00		British Government		31/12/75		100.00	
		31/12/86		111.07		Other Financial		31/12/70		128.06		Debt & Loans		31/12/77		100.00		Debt & Loans		31/12/77		100.00	
* Flat yield. A list of constituents is available from the Publishers. The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES																							
SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 01-925 2323.																							

INTERNATIONAL COMPANIES AND FINANCE

Honda hit by depressed car sales

By Steven Butler in Tokyo

SLUGGISH car sales pushed consolidated pre-tax profits at Honda Motor, the Japanese car maker, down by 26 per cent to ¥34.18bn (\$270.24m) in the first quarter of the financial year, which ended in June.

Sales, which includes motorcycles and other products, declined from ¥1,149.6bn to ¥1,111.9bn, owing mainly to weak markets in the US and Japan.

Honda's performance in North America was particularly bad, with car sales off by about 20 per cent to 203,000 units. The company said it had been hit by tough competition from Ford, General Motors, and Toyota, all of which gained market share at the expense of other Japanese makers. Honda also said it was hurt by the economic troubles in California, where it has a high concentration of sales.

In Japan, Honda's sales declined by 11 per cent to 168,000 units.

Total revenues from car sales fell by 5.3 per cent to ¥897.1bn, while unit sales were off by 10.9 per cent to 466,000 vehicles.

Unit sales of motorcycles rose by 6.4 per cent to 892,000 units, while revenues grew by 6.4 per cent to ¥149.9bn.

The company's profits were also affected by the higher value of the yen, increased operating costs, lower interest income and higher interest expenses.



Engine assembly in progress at Honda's Swindon factory

Net after-tax earnings declined from ¥21.35bn to ¥16.52bn.

In spite of the poor performance, Honda said yesterday it expected to meet its net profit forecast for the full year of ¥600bn, a 7.4 per cent decline compared with last year.

● SANYO Securities, a second tier Japanese securities house, yesterday said it was considering asking its leading creditors for additional financing, writes Emiko Terazono in Tokyo.

The move came at a time when the slump in Japanese share prices and low volumes on the Tokyo stock market are

hurting revenues at the smaller Japanese brokers.

Many Japanese brokers are expecting heavy losses for the interim term to September.

Sanyo said it had made a pre-tax loss of about ¥9bn for the three months to July, excluding depreciation costs.

Sanyo said it would ask Daiwa Bank, Bank of Tokyo and Nippon Credit Bank for loans to boost its cash flow.

The broker also said it was currently planning a restructuring programme including the closure of its 13 domestic branches, and the reduction of staff by 1,000.

German bank hits back at downgrading

By David Waller in Frankfurt

COMMERZBANK yesterday became the second large German financial institution within a matter of weeks to hit out at DB Research, the research arm of Deutsche Bank.

Mr Ulrich Ramm, Commerzbank's chief economist, denounced DB Research's conclusion that its earnings would fall by DM5 per share this year and next because of its exposure to Hahn, the Danzig insurance company which suspended payments to its creditors on Wednesday.

The downgrading from DB Research, based on the assumption that Commerzbank's exposure to Hahn was in the region of DM300m (\$202.7m), helped precipitate a near 7 per cent fall in Commerzbank's share price on Thursday.

Earlier this month, DB Research downgraded its forecasts for Allianz, the Munich insurance company which had just issued disappointing figures for 1991. The sell note prompted a sharp fall in the Allianz share price - and an angry response from Allianz.

"In its lack of knowledge of the actual situation DB Research has come to the extreme and premature assumption that the quota of losses on credit to Hahn was high," Mr Ramm said. "This looks entirely unlikely from the point of view of the creditor banks."

While DB Research downgraded its 1991 estimates from DM25 to DM23 per share and next year's from DM27 to DM25, Mr Ramm said Commerzbank's own analysts had as yet no reason to revise their estimate of their parent bank's earnings. Mr Ramm pointed out that operating profits climbed by 17.5 per cent to DM975m in the first six months of the year and that the bank was extremely positive about business developments in the current half.

The two downgradings have led to speculation that Deutsche Bank itself has been trying to encourage selling of shares in rival financial institutions. Deutsche Bank denied this yesterday, saying that DB Research was independent and its investment recommendations were not approved by the bank's management board, no matter how sensitive.

Despite Commerzbank's good interim figures, it has a balance sheet weaker than those of its competitors, not helped by an exposure of some DM560m to Olympia & York, the Canadian property group.

Electrolux declines to SKr758m

By Robert Taylor in Stockholm

ELECTROLUX of Sweden, one of the world's largest white goods manufacturers, yesterday reported a decline in its first-half profit after financial items to SKr758m (\$143.75m).

This contrasts with a SKr917m profit for the same period of last year but exceeds the forecast level.

The company explained that the 1991 profit figure for the first half included SKr164m worth of capital gains from divestments and if adjusted was made for that non-recurring item its profit for the first half of this year actually rose by 3 per cent.

The company's profit after financial items for the second quarter of the year was SKr506m, virtually unchanged

from the figure for the April-June period of 1991.

Sales rose by 1 per cent after adjustments for acquisitions and divestments in the first half to SKr40.8bn while in the second quarter sales were down slightly to SKr21.34bn from SKr21.53bn for the same period of last year.

Earnings per share after tax were SKr3.50 in the first half compared with SKr4.70 for the same period of 1991 while the rate of return on equity after full tax was 3 per cent compared with 6 per cent for the January-June period of last year.

Commenting on the market position, Mr Leif Johanson, Electrolux chief executive, said that uncertainties had increased in recent months over what market trends might be for

the second half of the year.

While demand in Europe had grown gradually weaker, mainly in the Nordic region, the US recovery would "probably continue to be slower and weaker than anticipated".

He emphasised that despite relatively low profitability and weak markets, Electrolux would press on with the development of new environmentally friendly consumer products as well as strengthening the company's brand name products globally.

The household appliance division enjoyed a sales increase to SKr22.97bn in the first half of the year from SKr22.62bn in the period from January to June, the rise coming from a sales increase by Leibel, the Hungarian white goods company.

In the Nordic region and

Britain there was a drop in sales volume for white goods while in North America volume sales increased.

There was a modest rise in sales of commercial appliances to SKr4.35bn in the period from SKr4.27bn for the same period of 1991 but operating income and profitability were "considerably lower" than for the first six months of last year.

Operating income for industrial products stayed unchanged while sales fell to SKr7.28bn from SKr7.45bn in that sector due mainly to lower invoicing and divestment of operations within its Granges business activities.

By contrast, the company reported an improved operating profit in its outdoor products range with a slight increase in its sales to SKr6.76bn in the first six months from SKr5.58bn

Public spotlight about to fall on a rare player in global business

Some time over the next year the World Bank will launch its first D-Mark-denominated global bond. And the bank's new treasurer, who played a key role in the development of the global bond programme, will enjoy a brief moment in the public spotlight.

The attention accorded to Ms Jessica Einhorn will undoubtedly focus on the fact that, as a woman, she is a rarity in the upper echelons of international finance. Yet her experience, and a record of innovation in the capital markets, rather than her gender has helped Ms Einhorn achieve her current status of treasurer and vice-president of the World Bank.

The appointment of Ms Einhorn, 45, a veteran of the US Treasury and the State Department, was announced six months ago. She had ample time to prepare for the job of treasurer, working since 1981 for her predecessors Mr Don Roth, the former Merrill Lynch executive, and Mr Eugene Rotberg, who became something of an institution in the Euromarkets during 19 years in charge of the bank's finances.

Mr Rotberg has high praise for Ms Einhorn. "There are very few people in the world who understand the intricacies of international finance and fewer still who also have experience in public policy. She has considerable skills in both fields."

It was not too surprising when Mr Lewis Preston, World Bank president, gave Ms Einhorn the job of directing a staff of 250 people, raising about \$17bn a year, managing \$20bn of liquidity and looking after total outstanding debts of \$97bn. "Jessica set up the World Bank's entire currency swap programme in the early 1980s, and she was part of the team that invented the global bond in 1989, and she used sophisticated hedging techniques to restructure the bank's financial policies," says Mr Rotberg, adding: "She knows everybody."

Her mentors have included Mr Paul Volcker, former chairman of the Federal Reserve, and Mr Jack Hennessy, former assistant secretary of the Treasury and now chief executive of First Boston, the Wall Street investment house.

Mr Hennessy says he first hired Ms Einhorn 20 years ago when she came to interview him at the Treasury. After working for Mr Hennessy and for Mr Volcker at the Treasury, she went on to become special assistant to the under-secretary of state for economic affairs, specialising in international monetary affairs.

Between 1977 and March 1981, when she joined the World Bank treasury, Ms Einhorn studied bank lending to developing countries at the Brookings Institute, spent a year on the financial policy side of the Federal Reserve and 15 months back at the State Department as a senior official in the International Development Co-operation Agency.

It was, however, in the early 1980s that

Alan Friedman and Patrick Harverson profile a woman who through her career has developed a reputation for financial innovation

Ms Einhorn first placed her imprimatur on the World Bank's finances. Although Mr Rotberg was the treasurer, she led the team that restructured the bank's borrowing programme to meet the demands of rapidly changing world financial markets.

Against the background of volatile, and historically high, world interest rates, Ms Einhorn shepherded the bank through a series of changes in its borrowing policy, including a move from fixed-rate to variable-rate borrowing, greater use of the short-term debt markets, and the pioneering of currency swaps. By shifting to variable-rate financing, the bank wanted to avoid locking in high long-term rates on its debt and ensure its loans were funded with matched liabilities as part of its increasingly flexible borrowing programme.

At the same time, she helped the bank to expand its activities in short-term debt

markets - most notably through its discount notes, a form of commercial paper with maturities of up to 90 days.

In 1982, Ms Einhorn helped engineer what is believed to be the world's first currency swap, when the World Bank swapped dollars in return for Swiss francs with US computer giant IBM. The use of swaps developed rapidly, allowing the bank to raise funds in currencies that did not match their core liabilities, and providing access to new markets.

Not all of Ms Einhorn's new borrowing tools were a success. In 1984, for example, the bank introduced the "T-bill based floater". This was medium-term paper priced in relation to the yield on the US Treasury bill rather than the usual Libor (London Interbank Offered Rate). However, it never took off because investors mostly wanted Libor-indexed debt.

The most successful innovation during Ms Einhorn's tenure managing the bank's borrowings was probably the global bond, introduced in 1989. It is a large (more than \$1bn) international debt security which the bank places simultaneously in several financial centres around the world. Thanks to special tenders and multiple clearing arrangements, the bonds can be bought or sold across all world markets at relatively narrow spreads.

Seven global dollar or yen bond issues have so far been launched, and this year a D-Mark issue will be launched. The great advantage of global bonds for the bank is that they widen the pool of available investors and allow the bank to consolidate its underwritten borrowings into a small number of large transactions.

Given her role in the birth of the product, it is fitting that the first D-Mark global bond will be sold under Ms Einhorn's stewardship. Today, however, she has less time for the pioneering work she enjoyed during the 1980s when I was the young staff person my job was to help innovate, but now my task is to make sure these innovations meet all the other standards for our balance sheet."

Superfos trebles interim earnings

By our Correspondent in Copenhagen

SUPERFOS, the Danish construction, chemicals and packaging group, said advances by its packaging, road-building and chemical divisions resulted in an improved first-half 1992 pre-tax profit of Dkr936m (\$64m), compared with Dkr312m in the same period last year.

The group said its grain and feedstuff activities had done well in spite of poor prices and forecasts that its whole year 1992 result would be much better than 1991's Dkr158m profit after tax and minorities. Superfos gave no exact estimate of its expected result for the whole of the year, but its first-half 1992 net profit after tax and minorities was Dkr936m, compared with Dkr312m for the same period in 1991.

Sandvik profits drop 13% in first half

By Robert Taylor in Stockholm

SANDVIK, the Swedish specialty steel and carbide group, reported a 13 per cent drop in its first half profits to SKr903m (\$171m), from SKr1.03bn for the same period of 1991. It also fell 3 per cent to SKr8.58bn from SKr8.82bn while the order intake dropped to SKr8.86bn from SKr9.04bn.

The company said there was no sign of cyclical recovery in its product area to benefit sales for the rest of the year so the profit for 1992 would be lower than the SKr1.29bn last year.

Demand remained slack, said Sandvik, mainly because the global recession was now biting Germany and Japan while the upturn in the US was "still

hesitant". Latin America, it added, was showing a "strong recovery" with a 40 per cent improvement in the company's invoiced sales to that area.

Sandvik reported an impressive 47 per cent growth in sales in its saws and tools product division to SKr721m, from SKr721m. By contrast its cemented carbide activities suffered a 6 per cent decline in sales to SKr4.37bn from SKr4.68bn over the period and steel a 9 per cent fall to SKr2.60bn from SKr2.87bn.

Return on investment over the past year was 11.5 per cent, down from 13.1 per cent for 1991 as a whole. Earnings per share after estimated full tax during the past year dropped by 6 per cent to SKr25.10 from SKr31.20.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year 1992	High 1992	Low 1992
Gold per troy oz	\$337.45	+2	\$333.85	\$338.40	\$336.20
Silver per troy oz	\$192.90	-6	\$192.30	\$194.70	\$191.10
Aluminium 99.7% (cash)	\$1295	-5	\$1281	\$1339.0	\$1105.5
Copper Grade A (cash)	\$1118.5	+25.5	\$1129	\$1140.5	\$1105.0
Lead (cash)	\$232	+3	\$231.5	\$236.5	\$226.5
Nickel (cash)	\$2222.5	+25.5	\$2204	\$2195.0	\$2065.0
Zinc SHG (cash)	\$1164	+1	\$1162.5	\$1167.5	\$1155.0
Tin (cash)	\$2767.5	-7.5	\$2765	\$2771.5	\$2742.0
Cocoa Futures (Dec)	\$241	-3	\$240	\$241	\$239
Coffee Futures (Nov)	\$75.50	-2	\$75.50	\$75.50	\$75.50
Sugar (Nov)	\$25.50	-3.5	\$25.50	\$25.50	\$25.50
Barley Futures (Nov)	\$113.00	+0.25	\$113.00	\$113.00	\$113.00
Wheat Futures (Nov)	\$115.00	+0.25	\$115.00	\$115.00	\$115.00
Cotton Outlook A Index	\$6.30	-0.65	\$6.30	\$6.30	\$6.30
Wool (64s Super)	\$37.20	-4	\$35.50	\$37.20	\$37.20
Oil (Brent Blend)	\$19.77	-0.275	\$19.875	\$21.30	\$17.00

For some unless otherwise stated. Unquoted p-percentage, c-cents to 100.

COCOA - London POX	Close	Previous	High/Low
Dec 811	611	611	611
Dec 541	636	643	630
Mar 688	688	671	688
May 688	688	688	688
Dec 724	724	727	718
Dec 749	749	752	743

Turnover: 4342 (1781) lots of 10 tonnes

ICO indicator prices (US cents per pound). Daily price for Aug 20 812.90 (803.45) 10 day average for Aug 21 801.73 (801.81)

COFFEE - London POX Close | Previous | High/Low || Dec 735 | 735 | 744 | 734 |
Nov 735	735	744	735
Jan 735	735	744	735
Mar 735	735	744	735
May 735	735	744	735
Jul 735	735	744	735

Turnover: 2800 (2800) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Aug 20 2800 (2800) 10 day average for Aug 20 2800 (2800)

POTATOES - London POX Close | Previous | High/Low || Apr 60.0 | 61.0 | | |

Turnover: 58 (64) lots of 20 tonnes

SOYABEANS - London POX Close | Previous | High/Low || Dec 117.0 | 117.0 | | |
| Feb 121.0 | 120.0 | 121.0 | 121.0 |

Turnover: 90 (200) lots of 25 tonnes

FRIGATE - London POX Close | Previous | High/Low || Dec 1115 | 1120 | 1115 | |
Oct 1115	1115	1115	
Nov 1115	1115	1115	
Dec 1115	1115	1115	
Jan 1115	1115	1115	
Feb 1115	1115	1115	
Mar 1115	1115	1115	
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Jul 1115	1115	1115	
Aug 1115	1115	1115	
Sep 1115	1115	1115	
Oct 1115	1115	1115	</

Money Market		Gross	Net	Gross	Net
		CAR	CAR	CAR	CAR

15,000-19,999	7.00	5.25	7.19
For businesses, charities and societies			
110,000-149,999	7.875	5.11	8.11
150,000-199,999	7.50	5.625	7.71
200,000-249,999	6.875	5.16	7.05
250,000-299,999	6.50	5.16	6.70
300,000-349,999	6.125	5.16	6.37
350,000-399,999	5.75	5.16	6.04
400,000-449,999	5.375	5.16	5.71
450,000-499,999	5.00	5.16	5.38
500,000-549,999	4.625	5.16	5.05
550,000-599,999	4.25	5.16	4.72
600,000-649,999	3.875	5.16	4.39
650,000-699,999	3.50	5.16	4.06
700,000-749,999	3.125	5.16	3.73
750,000-799,999	2.75	5.16	3.40
800,000-849,999	2.375	5.16	3.07
850,000-899,999	2.00	5.16	2.74
900,000-949,999	1.625	5.16	2.41
950,000-999,999	1.25	5.16	2.08
1,000,000 and over	0.875	5.16	1.75
For individuals			
10,000-14,999	7.00	5.25	7.19
15,000-19,999	7.00	5.25	7.19
20,000-24,999	7.00	5.25	7.19
25,000-29,999	7.00	5.25	7.19
30,000-34,999	7.00	5.25	7.19
35,000-39,999	7.00	5.25	7.19
40,000-44,999	7.00	5.25	7.19
45,000-49,999	7.00	5.25	7.19
50,000-54,999	7.00	5.25	7.19
55,000-59,999	7.00	5.25	7.19
60,000-64,999	7.00	5.25	7.19
65,000-69,999	7.00	5.25	7.19
70,000-74,999	7.00	5.25	7.19
75,000-79,999	7.00	5.25	7.19
80,000-84,999	7.00	5.25	7.19
85,000-89,999	7.00	5.25	7.19
90,000-94,999	7.00	5.25	7.19
95,000-99,999	7.00	5.25	7.19
100,000 and over	7.00	5.25	7.19

Dunlop & Co Ltd Investment			
70 Parsonage St, Bristol BS1 4SD			0072 21
125 000-150 000	10 75	9 50	9 50
150 000-200 000	10 75	9 50	9 50
200 000-250 000	10 75	9 50	9 50
250 000-300 000	10 75	9 50	9 50
Fidelity Moneymarket Reserves Account			
Equity Portfolio Services Ltd, Quaker House			
1-11, 299 Regent St, London W1A 3AL			0102 21
125 000-150 000	10 75	9 50	9 50
150 000-200 000	10 75	9 50	9 50
200 000-250 000	10 75	9 50	9 50
250 000-300 000	10 75	9 50	9 50
Garmoner Money Management Ltd			
18, 18 Grosvenor St, London EC2P 0AH			0171 756 1100
125 000-150 000	10 75	9 50	9 50
150 000-200 000	10 75	9 50	9 50
200 000-250 000	10 75	9 50	9 50
250 000-300 000	10 75	9 50	9 50
Halifax Bldg Soc Limited Reserve			
Trinity House, 60, 62, 64, 66, 68, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, 92, 94, 96, 98, 100, 102, 104, 106, 108, 110, 112, 114, 116, 118, 120, 122, 124, 126, 128, 130, 132, 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154, 156, 158, 160, 162, 164, 166, 168, 170, 172, 174, 176, 178, 180, 182, 184, 186, 188, 190, 192, 194, 196, 198, 200, 202, 204, 206, 208, 210, 212, 214, 216, 218, 220, 222, 224, 226, 228, 230, 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256, 258, 260, 262, 264, 266, 268, 270, 272, 274, 276, 278, 280, 282, 284, 286, 288, 290, 292, 294, 296, 298, 300, 302, 304, 306, 308, 310, 312, 314, 316, 318, 320, 322, 324, 326, 328, 330, 332, 334, 336, 338, 340, 342, 344, 346, 348, 350, 352, 354, 356, 358, 360, 362, 364, 366, 368, 370, 372, 374, 376, 378, 380, 382, 384, 386, 388, 390, 392, 394, 396, 398, 400, 402, 404, 406, 408, 410, 412, 414, 416, 418, 420, 422, 424, 426, 428, 430, 432, 434, 436, 438, 440, 442, 444, 446, 448, 450, 452, 454, 456, 458, 460, 462, 464, 466, 468, 470, 472, 474, 476, 478, 480, 482, 484, 486, 488, 490, 492, 494, 496, 498, 500, 502, 504, 506, 508, 510, 512, 514, 516, 518, 520, 522, 524, 526, 528, 530, 532, 534, 536, 538, 540, 542, 544, 546, 548, 550, 552, 554, 556, 558, 560, 562, 564, 566, 568, 570, 572, 574, 576, 578, 580, 582, 584, 586, 588, 590, 592, 594, 596, 598, 600, 602, 604, 606, 608, 610, 612, 614, 616, 618, 620, 622, 624, 626, 628, 630, 632, 634, 636, 638, 640, 642, 644, 646, 648, 650, 652, 654, 656, 658, 660, 662, 664, 666, 668, 670, 672, 674, 676, 678, 680, 682, 684, 686, 688, 690, 692, 694, 696, 698, 700, 702, 704, 706, 708, 710, 712, 714, 716, 718, 720, 722, 724, 726, 728, 730, 732, 734, 736, 738, 740, 742, 744, 746, 748, 750, 752, 754, 756, 758, 760, 762, 764, 766, 768, 770, 772, 774, 776, 778, 780, 782, 784, 786, 788, 790, 792, 794, 796, 798, 800, 802, 804, 806, 808, 810, 812, 814, 816, 818, 820, 822, 824, 826, 828, 830, 832, 834, 836, 838, 840, 842, 844, 846, 848, 850, 852, 854, 856, 858, 860, 862, 864, 866, 868, 870, 872, 874, 876, 878, 880, 882, 884, 886, 888, 890, 892, 894, 896, 898, 900, 902, 904, 906, 908, 910, 912, 914, 916, 918, 920, 922, 924, 926, 928, 930, 932, 934, 936, 938, 940, 942, 944, 946, 948, 950, 952, 954, 956, 958, 960, 962, 964, 966, 968, 970, 972, 974, 976, 978, 980, 982, 984, 986, 988, 990, 992, 994, 996, 998, 1000		0462 00	
125 000-150 000	10 75	9 50	9 50
150 000-200 000	10 75	9 50	9 50
200 000-250 000	10 75	9 50	9 50
250 000-300 000	10 75	9 50	9 50
Julian Hodge Bank Ltd			
10 Wincor Place, Cardiff CF1 1AB			01222 5001
125 000-150 000	10 75	9 50	9 50
150 000-200 000	10 75	9 50	9 50
200 000-250 000	10 75	9 50	9 50
250 000-300 000	10 75	9 50	9 50
Kingsway Finance Group			
125 000-150 000	10 75	9 50	9 50
150 000-200 000	10 75	9 50	9 50
200 0			

Minergut Gannan Ltd			
159 Perth Town Rd	London NW5 2BT	071 767	4 251
M/C 2 (22-500k)	10/81	0 bsk	
Lloyds Bank - Investment Account			
11 Lombard St London EC3P 3AB			0272 43
125-000k	10/81	0 bsk	0 798
125-000k	10/81	0 bsk	0 798
125-000k	10/81	0 bsk	0 798
125-000k	10/81	0 bsk	0 798
Midland Bank plc			
PO Box 2, Sheffield			0742 52
100-000k	10/81	0 bsk	0 798
125-000k	10/81	0 bsk	0 798
125-000k	10/81	0 bsk	0 798
125-000k	10/81	0 bsk	0 798
WatWest Crown Reserve Account			
41 Lombard London EC2P 2BP			0600 20
100-000k	10/81	0 bsk	0 798
100-000k	10/81	0 bsk	0 798
100-000k	10/81	0 bsk	0 798
Provincial Bank PLC			
20 Lombard			0 857
M/C 1 (21-300k)	10/81	6 101	0 857
Royal Bank of Scotland plc Premium			
25 St Andrew St Edinburgh EH2 2HT			031 22

125 000 - 189 999	8 40	8 45	8 58
190 000 - 249 999	8 40	8 45	8 58
250 000 - 299 999	8 40	8 45	8 58
300 000 - 399 999	8 40	8 45	8 58
400 000 - 499 999	8 40	8 45	8 58
500 000 - 599 999	8 40	8 45	8 58
600 000 - 699 999	8 40	8 45	8 58
700 000 - 799 999	8 40	8 45	8 58
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27 500 000 - 27 999 999	8 40	8 45	8 58
28 000 000 - 28 499			

Capital Plus Charge Account			
£11,000	19.40	7.051	9.741
J. Henry Schroder Waring & Co Ltd			
120 Cheapside, London EC2P 6DS			071-589 2200
£10,000	19.40	6.751	9.261
£10,000 and above	9.00	6.751	9.261
Western Trust High Interest Charge Account			
The Mercantile, Plymouth PL1 1SE			0733 22 20
£15,000	2.50	7.03	9.64
£15,000-£14,999	2.50	7.03	9.64
£15,000-£14,999	2.50	6.73	9.51
£15,000-£14,999	2.50	6.73	9.51
Wimbleys & South West Finance PLC			
114 Newgate St, London EC1A 7AE			071-750 4000
High Int Charge Acc.	18.50	6.381	8.771

NOTES: - From the contractual rate of interest payable, taking account of the contractual rate of bank rate plus the rate of interest payable plus any allowance for the cost of basic rate income tax. **BASE RATE:** Base rate as quoted in the *Financial Times* at 11.00 a.m. on the day on which the account is opened. **Annual Rate:** The rate then and only a "Compound Annual Rate" based on the frequency at which interest is credited to the account.

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Byron Edge Limited
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Deutsche Bank Research
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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lauro 88

INITIAL CHARGE: Charge made on sale of

units. Used to defray marketing and administrative costs, including commission paid to intermediaries.

This charge is included in the price of units.

OFFER PRICE: Also called offer price. The

price at which units are bought by investors.

Units are sold at a discount to the offer price.

NET PRICE: Net price after deduction of

initial charge. The price at which units are sold to investors.

CANCELLATION PRICE: The amount

received by the investor on cancellation of units.

This price is determined by the net price of units.

Units are sold at a discount to the net price.

TIME: The time taken for the

transfer of units from the investor to the fund.

This time is usually between 10 and 15 days.

REDEMPTION: The process of

selling units back to the fund.

This process is usually completed within 10 days.

REDEMPTION PRICE: The amount

received by the investor on redemption of units.

This price is determined by the net price of units.

Units are sold at a discount to the net price.

REDEMPTION CHARGE: Charge made

on redemption of units. Used to defray marketing and administrative costs.

This charge is included in the price of units.

REDEMPTION PRICE: The amount

received by the investor on redemption of units.

This price is determined by the net price of units.

Units are sold at a discount to the net price.

Units are sold at a discount to the net price.

Units are sold at a discount to the net price.

هكذا من النظم

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PEARL ASSURANCE (UNIT FUNDS) LTD			PROVIDENT LIFE ASS. ASS. - CONTD.			SCOTTISH AMicable			SUN ALLIANCE GROUP			WINDY LIFE ASS. CO. LTD			ROYAL LIFE INTL. LTD			FIDELITY MONEY FUNDS - CONTD.			SARAFI FUNDS MGMT (GUERNSEY) LTD		
Unit Name	Price	YTD %	Unit Name	Price	YTD %	Unit Name	Price	YTD %	Unit Name	Price	YTD %	Unit Name	Price	YTD %	Unit Name	Price	YTD %	Unit Name	Price	YTD %	Unit Name	Price	YTD %
... (repeated for all funds) ...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
OFFSHORE INSURANCES																							
MANAGEMENT SERVICES																							
BERMUDA (SIN RECOGNISED)																							
ISLE OF MAN (SIN RECOGNISED)																							

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US MARKETS (3:00 pm)[illegible]

CBI Inds 274nd -3

	1950	+ or -
10.50	+0.15	
78	...	
78	...	
35.25	+0.15	
11.25	+0.45	
11.25	+0.25	
90	...	
115.50	...	
31.75	+0.50	
31.75	+0.50	
40.50	+0.80	
124.50	+2.50	
600	...	

	1951	+ or -
7.43	+0.03	
0.90	...	
10.74	+0.14	
1.05	...	
1.97	+0.01	
7.9	+0.01	
0.86	+0.01	
1.38	+0.02	
2.73	...	
2.63	+0.23	
10.97	+0.02	
4.90	+0.04	
1.60	-0.04	
3.97	+0.04	
1.05	+0.03	
2.10	...	
4.60	...	
2.20	+0.02	
1.44	-0.01	
1.73	...	
0.75	...	
1.15	+0.05	
0.48	+0.05	
0.35	-0.05	
2.44	+0.02	
3.35	+0.02	
2.72	-0.04	

	1952	+ or -
5.43	+0.15	
54	...	
10.80	+0.20	
21.80	-0.10	
31.75	...	
31.75	+0.25	

[illegible]

1. *Journal of the American Medical Association*, 1997; 277: 1039-1043.

0.02	+0.08
0.02	+0.05
4.44	+0.07
1.29	+0.01
3.62	+0.01
	-0.04
<hr/>	
0.5	+ 0.00
5.7	+0.09
0.80	+0.10
45	+0.30
1.14	+0.30
1.30	+0.15
7.5	+0.16
1.2	+0.20
5.58	+0.20
4.60	+0.00
40	+0.50
8.9	+0.04
0.06	+0.04
40	+0.20

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AMERICA

Falling dollar sends Dow into reverse

Wall Street

THE plummeting dollar sent US stock markets into sharp decline yesterday after President George Bush's speech at the Republican convention failed to lift sentiment for long, writes Patrick Harversen in New York.

By 1 pm the Dow Jones Industrial Average was down 25.75 at 3,278.14, although above its low for the morning when it had fallen more than 35 points. The more broadly based Standard & Poor's 500 was down 2.74 at 415.49 at mid-session, while the Amex composite was 0.56 lower at 394.89 and the Nasdaq composite was down 1.58 at 565.88. Turnover

on the NYSE was heavy at 1.18m shares by 1 pm.

The main impetus for the markets was the dollar which, despite concerted intervention by central banks worldwide, continued to lose ground against the D-Mark. By early afternoon the dollar had dropped below its all-time low against the D-Mark of DM1.4430 to DM1.4315. Although currency factors rarely affect the stock markets, the weakness in the dollar means that the Federal Reserve has almost no room to cut interest rates again if it believes the economy needs more help.

Sentiment was not aided by the reaction to President Bush's acceptance speech at

Mexico's stock market lost 4.0 to 1,435.0 by 10.30 am yesterday. Its lowest this year and 25 per cent off the 1982 high, writes Damian Fraser in Mexico City. Investors are concerned about the slowdown in the economy, uncertainty in the US elections and accordingly tentative prospects for the North American Free Trade Agreement. High interest rates are also attracting money from the equity market into the money markets.

the Republican convention in Houston. Although the speech was a political success, economist Sachs had reduced his estimate for the company's earnings.

Presley dropped \$1.4 to \$2.0 on reports that the sector analyst, Goldman Sachs, had reduced his estimate for the company's earnings. On the Nasdaq market, Autodesk bucked the trend with a

40% in heavy trading on reports that the sector analyst, Goldman Sachs, had reduced his estimate for the company's earnings.

On the Nasdaq market, Autodesk bucked the trend with a

gain of \$2.1 to \$4.1, on Thursday's late news that the company will sell the two subsidiaries which make up the information systems division. Intel was another gainer, climbing \$2.1 to \$3.6, after the company's board authorised the purchase of up to \$1m of common shares in the open market.

Canada

TORONTO was pulled out of a narrow trading range by the sharp losses on Wall Street. The TSE 300 composite index losing 11.7 to 3,992.0 at midday in volume of 16.4m shares.

Declines led advances by 201 to 200 and transactions were valued at C\$251.0m.

Amsterdam pins hopes for recovery on 1993

Ronald van de Krol says the dollar's weakness and poor company results have wiped out earlier gains

THE Amsterdam Stock Exchange appears to have given up hope of a recovery in the second half of this year and is now pinning its hopes on 1993.

The bourse, which hit an all-time high in May and once seemed likely to produce for the first time since the start of the year, has fallen sharply recently, reflecting worries about the dollar, the gap between US and European interest rates and the absence of a convincing recovery in the US economy.

First problems have been compounded by Amsterdam's traditional sensitivity to dollar weakness as well as by the gloom first half figures reported by many Dutch companies. Some of these companies, particularly those in the food, chemical and pharmaceutical sectors, have lowered their sights for the rest of the year, saying an improvement cannot be expected until 1993.

Analysts say that the long-term perspective for Amsterdam remains good, with prices expected to pick up again when the dollar rebounds and the economy recovers in the US takes place. In the short term, however, the bourse is expected to move sideways at best.

Mr Philip Meenen, head of investment research at Theodor Gilt-Schankers, does not rule out further declines before an improvement sets in. "We could see a small recovery at the end of the year but the new hope now is the New Year."

Persson, Holding & Persson's analysts also say that the recovery will not come before the end of 1992, but they project that the bourse could produce a total 12-month return of 18 per cent by August 1993.

A key factor determining the pace of recovery is the dollar, which touched a new post-World War Two low of F1.62 yesterday. The Amsterdam Stock Exchange, with its preponderance of companies with

heavy international operations, is more vulnerable than other European bourses to the dollar's direction.

Mr Meenen notes that the US generates 25 per cent of the turnover of Dutch listed companies, after adjusting sales figures for the relative weight of Dutch companies. A low dol-

lar means lower profits when dollar-denominated results are translated into guilders.

The current gloom - inspired in part by the Bundesbank's July 18 discount-rate rise and the subsequent fall in the dollar - is a far cry from the heady days of May and June, when the bourse rallied on expectations of an imminent recovery in the US economy. Cyclical shares, in particular, surged, and these have now suffered the greatest falls.

In recent weeks, the CBS Tendency Index has given up all the ground it made earlier this year. It started the year at 113.6, peaked at 131.4 on May 28, but has since fallen back to close at 111.5 yesterday.

Defensive shares - food companies, publishers, banks and insurers - have so far escaped major downward corrections. Heineken, the brewing group, has even managed to buck the trend and rise by 4.4 per cent from the end of June to stand at F174.90.

The transport sector has fared badly, mainly because the dollar is far more important to the revenue side of

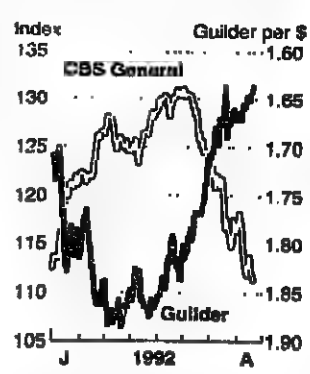
companies like KLM, Fokker and Nedlloyd than to costs, which tend to be denominated in guilders. Although both Fokker and Nedlloyd have hedged their dollar positions until the end of 1992, this has not prevented a slide in their share prices. Nedlloyd, which barely escaped falling into the red in the first half, has plummeted by 36.7 per cent to F136.90 since June 30, while Fokker has declined by 37.5 per cent to F159.50.

Fokker and Philips, the electronics group, have also been hit by factors which go beyond currency concerns. Investors in Fokker were disappointed when it became clear by late July that Deutsche Aerospace's plans to take a 61 per cent holding would not involve a public bid nor purchases on the open market. Instead, the German company is to acquire its controlling share by buying out part of the government's 33 per cent stake and by taking up a F150m (8312m) issue of new shares.

As for Philips, its shares were shaken not only by a well-publicised plunge in first-half results but also by doubts about the prospects of some of its most promising consumer electronics products for the 1990s. The shares are now trading at around F123.80, about 40 per cent below their 1992 high of F139.80.

Investor confidence has also been shaken in the bourse's newest arrival, the consultancy engineers Fugro-McClelland. The company, whose partial flotation at F138 per share in April marked the only new listing in Amsterdam this year, has seen its share price drop to less than F123.50 since announcing an unexpected decline in first-half results and reducing its full-year forecast.

Fugro-McClelland's drop will do little to improve the climate for new listings, which the bourse authorities are trying to promote to increase the market's appeal and its liquidity.



EUROPE

Central bank action lifts bourses briefly

A BEAR rally in Tokyo, centered, but ultimately ineffective central bank support for the dollar and an early but short-lived rise on Wall Street gave bourses scope for a technical rebound yesterday, writes Our Markets Staff.

FRANKFURT digested the prospects of German recession and dipped to a new 1992 low, the DAX index touching 1,510.46 before it closed 6.96 higher at 1,520.02, 1.8 per cent lower on the week. Turnover fell from DM5.2bn to DM3.9bn. It picked up in the post-bourse, with leaders up by between 0.5 and 1.5 per cent. Mr Andrew Thomson of Kleinwort Benson said that while share options expired at the official close, options on the DAX future soldiered on into the early afternoon and gave dealers the ability to respond to the support for the dollar.

Carmakers - prime dollar stocks and depressed lately for that reason and this week's slump in German registration figures - came back in the afternoon. Volkswagen, which rose just DM1.50 to DM337 during the session, stood at DM332 in London a few hours later. Commerzbank said that Thursday's 6.7 per cent drop on its loans to Haffa, the Danish insurer, was exaggerated, but

FT-SE Eurotrack 100 - Aug 21

Hourly changes							
Open	10:30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1034.63	1033.50	1033.17	1034.32	1035.69	1037.60	1041.20	1030.54
Day's High				Day's Low			
1041.28				1031.96			
Aug 20		Aug 19		Aug 18		Aug 17	
1030.83		1029.91		1035.74		1045.00	
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1030.83		1029.91		1035.74		1045.00	
1030.83		1029.91					

Base value 1000 (1989=100)

its stock recovered only DM2.50 to DM353.

PARIS started off firmer, encouraged by US President George Bush's speech overnight, but trading then quieted down until the afternoon when the central bank intervention and the Dow's opening rally revived interest. There was also some short-covering ahead of the close of the account on Monday.

The CAC-40 index ended up 20.00 higher at 1,744.18, down 0.5 per cent on the week, in turnover of FFR1.5bn.

The rise in the index disguised underlying weakness in the market. Pechiney International dropped FFR7.30 or 4.2 per cent to FFR163 after a slip in first-half sales. Pechiney CIPs dropped FFR10.90 or 3.8 per cent to FFR271.10.

Total dropped another FFR1.80 to FFR210.70 after Merrill Lynch downgraded its rating on the stock earlier this

week, while Euro Disney, also the subject of negative broker comment, fell FFR2.10 to FFR75.50.

UAF fell to FFR32.50 on worries about its stake in Haffa but closed steady at FFR37.4.

MILAN was encouraged by Tokyo's gains but leading shares finished off their highs. The Comit index rose 1.23 to 406.12, up 3.3 per cent on the week, in turnover estimated at just L45bn after L59.8bn on Thursday.

Banca Commerciale Italiana shares held Thursday's advance in spite of Mediobanca's denial of a press report that it was spearheading a plan on behalf of a group of investors to buy out the state's majority stake in the bank. The shares fell initially but then closed L28 higher at L2,526 in volume of 3.2m shares.

Slip continued to fall on foreign selling, losing another L20

to L1,081 in volume of 3.9m shares.

COPENHAGEN hit another new low, the CSE index slipping 1.49 to 228.48, 1.9 per cent down on a week which now excludes the suspended Haffa. Another insurer, Baltica, fell another DKr15 to DKr260 in a weak financial sector.

OSLO was overshadowed by the Uni Storebrand crisis, the insurer dropping another NKR2.2 to NKR13.5 before Monday's board meeting which is expected to arrange details of a rights issue to rescue the company. The all-share index dipped 0.63 to 324.34 for a fall of 7.7 per cent on the week.

HELSINKI continued to focus on banking loan losses, the bank and finance house index falling another 11.1 per cent, down 69 per cent from its 1992 high. The Hex index closed 34.0 down at 610.3, 35 per cent off its 1992 high and 7 per cent lower on the week.

STOCKHOLM fell for the fifth consecutive session, as the Affarsvarden General index dropped 9.23 to 781.8, for a fall of 6.1 per cent on the week. Turnover remained low at SKr382m.

Electrolux B shares fell SKr2 to SKr197 after the company said that uncertainty regarding market trends had increased in

recent months.

Norwegian said that its shares will be delisted on August 27 now that Venustus has more than 50 per cent of the equity. Venustus was set up by the government to administer its holding in Nordbanken, which it was forced to take over earlier this year in order to save the bank from collapse.

ZURICH saw rises in chemicals and banks as the SMI index put on 14.7 to 1,788.2, down 1.3 per cent on the week. Ciba-Geigy registered topped the active list, rising Sfr1 to Sfr647 after a 12 per cent rise in first-half profits. SBB's ears rose Sfr1 to Sfr25.

MADRID managed a rise on the day and on the week with gains in the general index of 1.55 and 1.3 per cent respectively to 210.34. Heavy black trades took turnover up to an estimated Ptas1bn from around Ptas45bn recently.

SOUTH AFRICA

INDUSTRIAL and financial shares rose on hopes that democracy talks would resume soon. The industrial index rose 45 to 4,076 and the overall index was up 33 at 3,178. But golds ended 3 down at 930.

ASIA PACIFIC

Nikkei jumps 6.2% on investor confidence

Tokyo

CONFIDENCE spread among investors that share prices had hit the bottom and the Nikkei average surged 6.3 per cent to recover the 16,000 level for the first time since July 23, writes Shingo Terazono in Tokyo.

The Nikkei closed 949.12 better at 16,216.88, the day's high and 9.4 per cent higher on the week. It opened at the day's low of 15,294.56 and posted firm gains on short-covering and small-lot buying by investment trusts, dealers and foreign investors.

Volume rose to 430m shares from 300m, above 400m for the first time since May 14. Gainers overwhelmed losers by 1,014 to 35, with 28 unchanged, the Topix index of all first section stocks gained 87.93, or 7.8 to 1,251.70 and, in London, the ISE1000 50 index rose 3.49 to 1,042.80.

Analysts said that share prices could have hit the bottom for the time being. "The worst seems to be behind us for this phase," said Mr Peter

Tasker, strategist at Kleinwort Benson.

Reports that the government had decided to postpone the sale of Nippon Telegraph and Telephone shares also encouraged sentiment. A leading business daily also reported that the ministry of finance was requesting the ministry of transport to postpone the listing of JR East, one of the former railway operations of Japan National Railway.

The ministry of finance later denied the reports, and the ministry of transport restated its hopes of listing the JR East shares this autumn. However, investors actively sought NTT, which advanced Y82,000 to Y565,000.

Bank shares were strong, with Nippon Credit Bank rising by its daily limit of Y500 to Y5,000 and Mitsubishi Bank Y5,000 higher at Y2,300.

Real estate companies also rallied, with Mitani Fudosen rising by its daily limit of Y100 to Y975 and Mitsubishi Estate also advancing by its daily limit of Y100 to Y914.

In Osaka, the OSE average

surged by 1,080.27 to 17,504.83 in volume of 41.6m shares.

Roundup

THE REST of the region offered a mixed response to events in Tokyo.

TAIWAN rose 3.6 per cent, the weighted index closing 133.16 higher at 3,886.22, but still 1.2 per cent lower on the week.

SINGAPORE put in its third consecutive rise, this time on selective bargain-hunting, the Straits Times Industrial index ending 23.72 higher at 1,247.31.

HONG KONG registered a moderate recovery after a 2.5 per cent fall on Thursday, utilities rising sharply as the Hang Seng index climbed 27.78 to 5,509.39, down 5.4 per cent on the week. Turnover fell from HK\$2.56bn to HK\$2.62bn.

Hong Kong Telecom gained 20 cents to HK\$9.70 while Hong Kong & China Gas jumped 30 cents to HK\$13.10.

SEOUL fell for the second day on concerns about political instability arising from the government's decision to

award the nation's first private mobile telephone operating licence to the Sunkyong Group, which has ties to President Roh Tae Woo. The composite index fell 8.63 to 458.07, down 4.1 per cent on the week.

AUSTRALIA closed stronger, taking its direction from the in Tokyo. The All-Ordinaries index closed up 5.7 at 1,569.3, a rise of 0.7 per cent on the week in turnover of A\$239m. BHP closed unchanged at A\$152.40.

NEW ZEALAND's NZSE40 index fell 0.82 to 1,490.24, up 0.6 per cent on the week, on continued weakness in blue chips. Turnover, boosted by a big block sale in Salmond Smith Bloab, rose to NZ\$48.5m from NZ\$22.5m.

Salmond Smith fell 15 cents to NZ\$2.60 after Transco Investments of Singapore sold 9.3m shares or 35 per cent of the company at NZ\$2.41 a share to various domestic institutions.

MANILA declined for the third day running, as the composite index gave up 15.45 to 1,475.12, down 3 per cent on the week.

LONDON SHARE SERVICE

BRITISH FUNDS

Share		Price	1992	Yield	Share		Price	1992	Yield
Shorter (Lives up to Five Years)									
13 Yr 1992		108.5	10.1	10.1	Trans 10 Yr 1999		108.5	10.1	10.1
Time 5 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
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10 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
12 Yr 1992		108.5	10.1	10.1	15 Yr 1992		108.5	10.1	10.1
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LONDON SHARE SERVICE[illegible]

MINES 2-1

GUIDE TO LONDON SHARE SERVICE

Nikkei surges 6.2% as buyers take heart from aid to banks

By Emiko Terazono in Tokyo

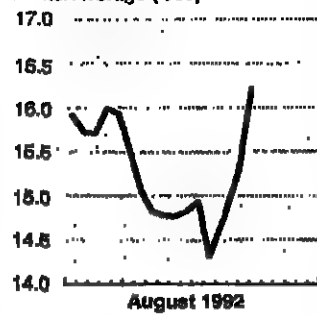
A RETURN of confidence boosted Japanese shares yesterday, as investors responded to the government's efforts to support the country's ailing financial system and stock market.

The Nikkei average of 225 leading stocks jumped 6.2 per cent, closing 19,121.28, its highest since 1989. This was the first time above 19,000 for nearly a month. The index, which plunged to a new six-year low on Tuesday, has rallied more than 1,900 points during the past three trading days.

In addition to emergency support measures to help the beleaguered Japanese banks, investors were encouraged by reports that the government is likely to postpone the sale of a tranche of the shares of Nippon Telegraph and

Japan

Nikkei Average ('000)



Source: Datastream

Telephone scheduled for the current financial year.

The slide in NTT shares, triggered by concerns over the impact on the market of the addi-

tional tranche, had dragged down the market during the past few weeks.

NTT shares surged by 12.6 per cent yesterday, closing ¥62,000, higher at ¥55,000 (£2,394). Buyers included foreign investors, whose ownership of NTT was permitted at the beginning of this month.

The government, which still owns two thirds of NTT, postponed sales of 500,000 shares last year because of sluggish market conditions.

Mr Mamoru Ozaki, deputy finance minister, said that although no decision had been made, the ministry was discussing postponing share sales of NTT and of JR East, railway operation of the former state-owned Japan National Railway. The market now awaits next

week's announcement of the government's fiscal stimulus package, which will include a large-scale supplementary budget.

Ahead of the announcement, Mr Takeshi Nagano, president of the Nikkeiren, the Japan Federation of Employers' Associations, called for emergency economic measures.

Early next week, Mr Nagano will present proposals to Mr Kiichi Miyazawa, the prime minister, including a cut in the official discount rate, an additional ¥10,000bn in public investment spending and the establishment of a joint fund to buy stocks to support the market.

Japanese money supply growth at record low, Page 3

Good buys, Page 6

World stock markets, Page 19



Under fire: An Uzbek militiaman loyal to the Afghan government dashes across a road in Kabul. Hezbi-Islami opposition forces have been pounding the city with rocket and artillery fire for more than two weeks, killing hundreds of civilians.

Canary Wharf to share its bird's eye view

By Vanessa Houlder, Property Correspondent

LONDON is once again to have its own panoramic viewing platform. But, unlike the Eiffel Tower or Empire State Building, London's look-out point is miles away from its most notable monuments.

One Canada Square, the steel-clad, 50-storey centrepiece of London Docklands' Canary Wharf and the tallest building in the UK, is opening its top floor to the public.

The decision to allow visitors has been taken to "generate and maintain interest in the Docklands", according to the administrators who were appointed to the project in May.

At 500ft, the tower is 300ft higher than its nearest UK rival, the National Westminster Tower in the City of London. On a clear day, the view from the top can stretch for 30 miles.

Visitors will be charged £3 a person, but after additional security and ticketing costs, this will do little to help the finances of the project, which has debts estimated at £700m.

It will provide the first opportunity in nearly 20 years to visit the top of the UK's tallest building. The 500ft Post Office tower (now the BT tower), which held the record until the NatWest tower was built in 1980, has been closed to the public since 1973, when a bomb exploded in the restaurant.

The Canary Wharf tower will be the tallest office building that can be visited in Europe, since Frankfurt's 491ft Gin Meseturm is off limits to visitors. However, an even loftier view is available from the Iron-framed, 985ft 11th Eiffel Tower in Paris.

The tallest buildings in the US, the Sears Roebuck Building in Chicago and the World Trade Center and Empire State Building in New York, also court visitors. The world's tallest tower remains the 1,515ft CN Tower in Toronto, while the UK's highest structure is the 1,265ft ITN mast in Lincolnshire.

The Canary Wharf tower will be open on Saturdays and Sundays, from 10am to 5pm, from September 12. On that weekend, the Docklands Light Railway will, unusually, be open as it coincides with the European Oyster and Seafood Fair, organised by the London Docklands Development Corporation.

Ford to reduce production at Halewood car assembly plant

By Kevin Dore, Motor Industry Correspondent

FORD, the leading UK vehicle maker, is to stop production for six days in September and early October at its Halewood car assembly plant in Merseyside.

Its announcement came as Aston Martin, the specialist UK luxury sports carmaker in which Ford holds a 75 per cent stake, revealed it was cutting its workforce by about 10 per cent with the loss of 64 jobs.

Ford is being forced to reduce output in response to disappointing sales in the UK and weakening demand from export markets.

The move follows Ford's announcement earlier this week that production would be reduced at its car assembly plant in Dagenham, Essex, and at the Transit van plant at Southampton.

The company this week warned there was no sign of any improvement in UK new car demand and said it saw "no indication of any real recovery before mid-1993".

With new car registrations so far in August virtually unchanged from last year's depressed level, some carmakers are being forced to cut production to reduce stock levels.

Halewood is already in the middle of a two-week period of single-shift working in response to weak demand, but Ford yesterday said assembly would be stopped completely for the week beginning September 21. In addition no cars will be produced on Friday, October 2.

The latest measures at Halewood will cut output of about 5,500 Escort/Orion cars and vans in addition to the reduction of

5,000 Fiestas at Dagenham and 1,246 Transit vans at Southampton next week.

Aston Martin is to cut the workforce at its Newport Pagnell plant to 324 from the present level of 388. Worldwide sales totalled 121 last year compared with an average of 185 a year during the previous 10 years.

It had already cut 135 jobs in two earlier rounds of redundancies last year and has now cut its workforce by 39 per cent during the recession.

Output of its range of £131,500-£145,500 Vantage sports cars has been cut to two a week from six or seven a week before the start of the recession.

The company yesterday insisted that its plan to develop a new range of smaller sports cars by 1994 would not be affected by the latest redundancies.

Call for more UN troops for Somalia

Continued from Page 1

Other recommendations include the creation, under UN auspices, of a disarming force which would carry out a "food for arms" exchange programme.

Meanwhile US and Kenyan officials scrambled to limit the damage after a bruising diplomatic row about the massive US airlift of food to Somalia.

US Ambassador Smith Hems-

tone and the US general in charge of the airlift were summoned for a hurried meeting with President Daniel arap Moi after the Kenyan government protested that the US had flouted Kenyan sovereignty and had not sought proper clearance to send armed troops to Kenyan soil.

The Kenyans also alleged that the US had not asked for permission to use Kenyan airspace. Mr Ndolo Ayah, the Kenyan foreign

minister, and Ambassador Thompson issued a joint statement after the meeting which said: "This was a complex effort that was organised in short notice and some details were not worked out in advance."

Mr Ayah said President Moi had now authorised the first flight of the airlift to Wajir, northern Kenya, and the US and Kenya had set up a committee to coordinate the relief effort.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (DM)				US\$-March 1992				Nippon Hong Kong				Wellcome			
Rieser				New York prices at 12.30pm				Falls				822			20
Dyckhoff	136		3.5	Paris (FFr)				London (Pence)							
ROD	110		3	Capitex	519		25	London	244		712				
Pharm				Capitex	519		25	London	244		712				
A&O	715		14.5	Capitex	519		25	London	244		712				
Dates-Werke	118		5.5	Capitex	519		25	London	244		712				
GEHE	408.5		8.5	Capitex	519		25	London	244		712				
New York (\$)				Capitex	519		25	London	244		712				
Autodesk	44.3		2.4	Capitex	519		25	London	244		712				
Hadco	5.4		1.2	Capitex	519		25	London	244		712				
Altech	17.8		2.4	Capitex	519		25	London	244		712				
Goodrich	40.3		3.4	Capitex	519		25	London	244		712				
Praxair	2.8		1.4	Capitex	519		25	London	244		712				

World Weather

UK Today: Over much of central and eastern England, it will turn cloudy with rain at times after a bright start, with the south-east faring best until the evening. But over Scotland it will become brighter after early rain.

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud	City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10
Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10
Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10
Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10	Amman	28	SE	10

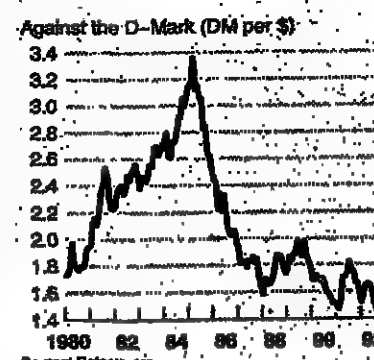
Temperatures at midday yesterday 1 Noon GMT temperatures C-Cloudy Dr-Drizzle F-Fairly S-Sunny SE-South E-East S-South W-West T-Thunder

THE LEX COLUMN

D-Day for the dollar

FT-SE Index: 2365.7 (+6.3)

DeMar



Source: Datastream

A cynical view of yesterday's disastrous intervention to support the US currency is that it was orchestrated by the Federal Reserve to save the newly endorsed Candidate Bush the embarrassment of an all-time dollar low against the D-Mark. Whatever the rationale, the exercise backfired. Central banks bought dollars in insufficient size at a time when the market was already braced for such action. Little wonder that foreign exchange dealers were immediately emboldened to test the real resolve of the authorities. Supporting the dollar was always going to be an uphill struggle while the market believes the interest rate differential between the US and Germany could widen. But yesterday's action raises questions about the credibility of internationally co-ordinated exchange rate policy.

The subsequent performance of US financial markets underlines that currency weakness is not just a political embarrassment. Yesterday's sharp fall on Wall Street reflected anxiety that further interest rate cuts are not on the cards for the moment. Perhaps more seriously, higher bond yields will, if sustained, make it more difficult for the US government to fund the deficit and increase the cost of long-term funding for companies.

European central banks which joined yesterday's intervention - not least the Bank of England - also had a legitimate interest in propping up the dollar and softening the D-Mark to ease pressure within the ERM. Sterling's close in London below DM2.80 for the first time since joining the mechanism leaves it less than three pence from the level at which intervention, or a rise in interest rates, is mandatory. With a month still to go before the French referendum on Maastricht, that leaves little room for further jitters.

Against the D-Mark (DM per \$)

Ford's announcement that it is putting Dagenham on a three-day week from September will hardly help confidence, not least when politicians are back at work to exploit it. The main threat, however, continues to come from a rise in interest rates if the government is eventually forced to step in to defend the pound. With three-month money market rates over 10.45 per cent last night the risks remain acute.

Shares will no doubt dip in despair if the worst finally happens - reflecting the inevitable damage to consumer confidence - though more sanguine investors will conclude that such a move would be relatively short-lived and then reversed.

Ratners

Much of the horror of Ratners' delayed full-year figures had dripped into the market already. The stark feature of the report is the scale of management's mistakes which, as much as the recession, are responsible for the company's ills. Mr Gerald Ratner's ill-timed remarks about his products clearly had an impact on sales: down at the Ratners chain was down much more sharply than at the group's other stores. A second strategic error was the aggressive price-cutting promotion in the run up to Christmas, which helped prop up turnover but eliminated profits. The notion of Mr Ratner as a brilliant retailer laid

UK stock market

London equities have been transfixed over the past few days by the headline of grim economic tidings and sterling's increasingly fragile position within the ERM. In generally thin turnover the FT-SE managed a 9-point gain on the week, but there was nothing convincing about this performance. The good news for investors is that shares at current levels are probably discounting lowered expectations for GDP in the second half. Next month's interim corporate reporting season will doubtless bring fresh shocks - not least because it is domi-



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MARKETS

London Markets

When a bit of financial advice can be a royal pain

By Peter Martin, Financial Editor

BELIEVE ME, being a financial adviser isn't all it's cracked up to be - mine's a whisky, thanks. I mean, do you ever stop to think what I have to go through? Take that last trip of mine. OK, you know about fighting off photographers, goes with the Pimbra membership, right? But can you imagine having to take a copy of the Bank of England Quarterly Bulletin with you?

There I am, trying to keep everyone cheerful, dripping sun-tan oil over a chapter called "Negative equity in the housing market". No joking, if Stephen King ever falls on hard times, he can take a job in the economics department of the Bank.

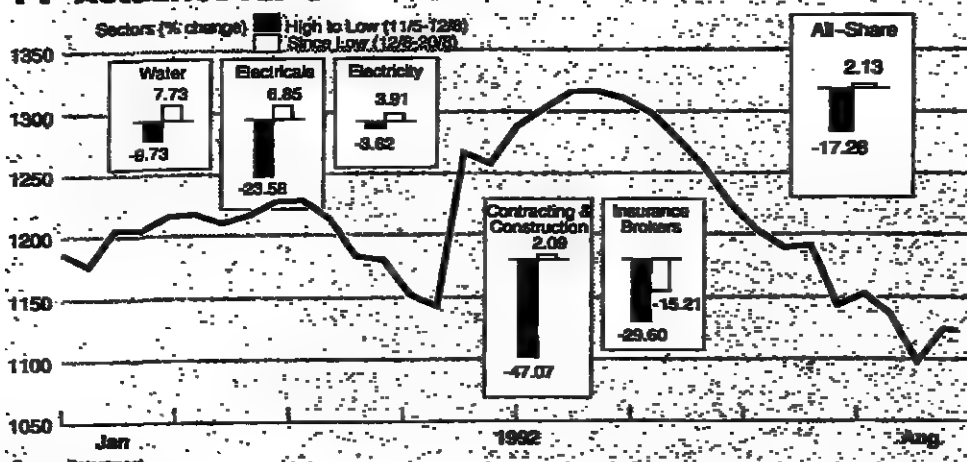
Of course, he's what they call a master of suspense, and Mervyn King - who I gather is the horror-meister in Thrusdale Street these days - is a bit lacking in that department.

Still, the boy's got the right surname, and he's learning. He starts slow, all right ("This situation has left many households with a home worth less than the value of their mortgage, a phenomenon that has been termed 'negative equity'"), but after a bit you're biting your fingernails and jumping if a car backfires.

Take this little gem: "Such estimates suggest that by the second quarter of this year around 876,000 households faced a situation in which the value of their home had fallen below the value of their mortgage. For three of the most severely affected regions - the south east, Greater London and East Anglia - around two-thirds of all first-time buyers who have entered the market since 1988 are now likely to have some negative equity."

OK, it takes a while to get into the swing of the prose style but, believe me, when I

FT-Actuaries All-Share Index



read it out there wasn't a dry eye or pink knuckle around the pool. Remember, the client is a recently separated upper-middle-class spouse with a couple of kids and a house in the home counties; and there are a pair of minders along for the ride, with houses in Essex and mortgages on the go. I mean, this is strictly bad news time.

Mind you, some people take a while to get the message. "But I haven't got a mortgage," says the client. Read on, sweetheart, say I. "Since the beginning of 1988, over 180,000 properties have been taken into possession by lenders..." Just think what that'll do to property values in the Thames Valley. And if you're contemplating going back to work, now you're on your own. I point out, think of the damage to the economy: "305,000 borrowers were more than six

months in arrears at the end of June, with 115,000 more than 12 months behind."

As Mervyn or his blurb-writer says: "Spending on major purchases has been particularly weak; consumer confidence has fallen back and households are repaying consumer borrowing." I couldn't have put it better myself.

Still, there was some good news round the sun-beds. I mean, the stock market closed the week up a bit, after rising for four days out of the last six. The FT-SE index closed at 2,365.7, up 8.9 points on the week. That's a pretty strong performance, really, considering what the rest of the news cracking over the World Service was like. The pound was plastered against the bottom of the ERM, and my dollar travel cheques didn't go very far in the local bar. The Bundesbank made some heavy duty noises about inflation and the need to keep interest rates up. The second-quarter GDP figures showed a minuscule increase for the first time in two years, but retail sales in June turned down. Some guy at the Central Statistical Office offered a seasonally adjusted joke: "A recession is when you lose your job; a depression is when I lose mine." (Thanks a bunch; that probably sounds funnier if you work in the civil service.)

And there was another big-company dividend cut - from Sedgwick, the insurance broker. Just when you think company chairmen have decided they're too scared of Paddy Lineker at M&G to cut the dividends, another brave soul plunges in. Corroon and Black, another big broker which seemed to be suffering just as much from the insurance

industry's woes managed to keep its dividend intact.

But Sedgwick's chairman David Rowland made a few gnomic comments ("Dividend cuts come about for other reasons than 'disasters in business'"), dropped the interim dividend from 4p to 3p, and went off to run Lloyd's. I guess he'll feel right at home, since they've taken his approach even further by introducing negative dividends.

Don't company chairmen realise what all this dividend cutting does when you're trying to put together a portfolio of income shares for someone who is about to come into a lump sum? It's not as if the capital-gains side of things is easy, either. Look at this chart I scratched out on the back of a corn-flakes packet. It shows the sectors that did worst in the slide from the end of the post-election blip in May and the ones have done best since things started looking up a week ago.

There's a strong interest-rate theme in both periods, I'd say, which means that the motor behind the recent recovery is probably a feeling that the moment when German rates start to ease isn't too far away. That makes the equity pickup very vulnerable to more bad interest-rate news from Germany - or any sign that Norman Lamont will have to push up UK rates to stop the pound falling out of the bottom of the ERM.

Well, that's what I told the client, anyway. She didn't seem to be paying attention - said there was some sort of curious reflection over in the boutiqueville bushes. Ignore it, I said. Who'll care about a few summer snaps, anyway?

Serious Money

Don't discount investment trusts

By Philip Coggan, Personal Finance Editor

THOSE who bought shares in the investment trust launches of the past year or two could be forgiven for feeling a little sick. There are few profits to be had.

On Friday morning, package units in M&G Recovery, offered at 100p, were down to 93p; those in M&G Income were 89p. Those who invested in Fidelity European Values were worse off by around 8 per cent even after adding back the value of the warrants. And if you bought a capital share in the Contra-Cyclical Investment Trust at launch, your 25p investment has turned into 11p.

Of course, these trusts are designed to be long-term investments. That means they need to be held for at least five years, and probably 10, before their real advantages come through.

Adding to the problems of the small investor, however, the success or failure of these trusts is not merely a matter of whether the stock market performs well. Even if the trust's portfolio rises in value, an investor in a new issue can lose money because of the discount factor.

It is relatively easy to value an investment trust. You can simply take the market value of all the shares in its portfolio, deduct the debts, and divide by the number of shares in issue. The result is the net asset value (NAV) per share.

However, investment trusts rarely trade at the NAV. Normally, they trade below that price - at a discount, as the jargon has it. The discount is a function of the demand for the shares. If few investors want to buy the shares (perhaps because the manager's record is poor, or because the trust's portfolio is expected to fall in value), the discount will be wide.

It is possible for a trust's shares to trade at a premium. Historically, this has tended to

occur with geographical specialist trusts. A Korea fund, for example, might be the only way most investors can gain exposure to the Korean economy; so, if prospects for that area are perceived to be good, investors will bid the share price above the asset value.

More recently, however, premiums have tended to be associated with split capital investment trusts. By dividing up the share capital in ways that offer tax advantages to different sets of investors (zeroes, income shares etc.), enough demand was created to enable the trust as a whole to trade at a premium.

There is some debate in the industry whether these premiums are "fool's gold." A split capital trust still owns the same sorts of shares as a normal trust; so, why should someone pay a premium for assets he can buy at a discount elsewhere?

There is also a more general worry, though. The rediscovered enthusiasm of private investors for investment trust shares has, by creating extra demand, narrowed the sector's discount. From more than 28 per cent in 1988, the discount reduced to just over 11 per cent in 1991.

If the discount widens again, the new shareholder recruits to the sector may see their savings battered. They might feel as disillusioned as all those investors who piled into unit trusts at the top of the bull market in 1987.

To date, the news has been relatively encouraging. Although stock markets have been weak - normally a factor which widens discounts substantially - the sector discount is only 14 per cent. According to Robbie Robertson of County NatWest, the sector seems to be bouncing back when the 15 per cent discount level is reached.

Perhaps private investors have been convinced of the merits of savings schemes.

Every time prices fall, the monthly payment buys more shares. Indeed, if savings schemes can be kept as a stable source of demand for shares, then historical discount levels of 25 per cent might never recur. A virtuous circle can be created.

A final thought. Most experts seem to think that bonds will be highly attractive to private investors in the low-inflation, low-growth 1990s. That might well be true for retired investors who depend on their savings for income. But the story could be different for those who are saving for the longer term.

Each investor is entitled to an annual capital gains tax allowance - which is £5,800 in the 1992-93 financial year. In other words, your first £5,800 of gain is tax-free.

Not only that, but the Revenue also allows investors to index their gains to avoid the effect of inflation. This is a very useful tax break which makes it quite hard to pay CGT just 185,000 people paid it in 1991.

Take a top-rate taxpayer with savings of £50,000. If the funds were placed on deposit, he might earn £5,000 in gross interest this year - but that would translate to just £3,000 after tax. If he made £5,000 of capital gains, the return would be tax-free.

Of course, a building society investor can be reasonably certain of his income, whereas investing for capital gains is a risky business. Nevertheless, equities have traditionally outperformed bonds over the long term.

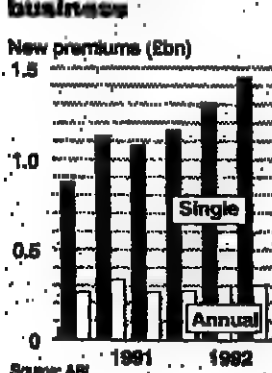
And even if gross bond returns matched those for equities in the 1990s, equities would still make the average investor better off in net terms. So, despite the recent bad news, a broadly spread investment trust still looks a good long-term savings vehicle for the small investor.

HIGHLIGHTS OF THE WEEK

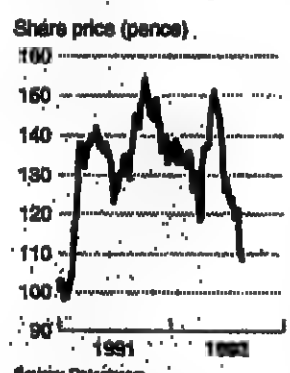
	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2365.7	+8.9	2737.3	2303.1	Unchanged Lombard rate
Anglian Water	436	+25	441	308 1/2	Defensive water stocks
BICC	272	+13	360	235	Good results
Heath (CE)	239	-58	477	239	Profit worries
Hickson Int'l	172	-18	227	167	Forecast cuts after results
Hilldown	97	-23	200	94	Downgrades/figures due
Kwik-FR	108	+14	226	93	Recovery
Ladbroke	147	-7	267	137	Weak hotels/lack of support
Northern Electricity	338	+14	361	225	Elec package unravelling
Saatchi & Saatchi	138	-19	245	115	Correction
Sedgwick	108	-38	240	109	Disappointment over results
Smith (WH) A	377	-28	434	388	MMC inquiry/figures due
Trafalgar House	48	-9	185	45	Financial worries
Wallcover	622	+35	1174	777	Gag on broker comment ends
Willis Caroon	155	-29	274	153	Disappointment over results

AT A GLANCE

Individual pensions business



TR smaller companies



Funds boost for life insurers

Life insurance sales figures for the second quarter of this year remained healthy, although they bore testament to the UK's continuing recession, according to industry-wide figures from the Association of British Insurers. Life insurers still seem to be attracting fresh funds more successfully than the building societies. Single premium pension sales, boosted by people investing their redundancy cheques, continued to register strong growth, rising 27 per cent to £1,450m. Meanwhile regular premium contracts, which tend to require investors to have confidence in their long-term employment prospects, did poorly, falling 10 per cent to £304m.

No-cost Pep from TR

Touche Remnant is offering a personal equity plan investing in the TR Smaller Companies Investment Trust, which is free of any charges to the investor. There will not even be any charge for dealing or stamp duty. However, Touche Remnant will receive an administration fee from TR Smaller Companies. TR believes that this will be in the interests of shareholders because any reduction in the trust's net asset value will be outweighed by a reduction in the discount. The trust has not been particularly attractive for Pep investors so far because it aims for capital growth rather than income, but TR does not believe this will be an issue when there are no direct charges to investors in general continue to fall. The Hoare Govett Smaller Companies Index (capital gains version) fell 0.2 per cent from 1027.7 to 1026.05 in the seven days to August 20, while the County Index fell 0.5 per cent to 615.69 over the same period.

Barratt offers 8.5% mortgage

Barratt, the building company, is offering 8.5 per cent mortgages fixed for three years on its houses. It claims this is the cheapest rate for 14 years. Several lenders are currently offering mortgages fixed for three years at less than 10 per cent, but Barratt's offer undercuts almost all competition by a clear percentage point. The deal applies to new Barratt homes at 200 developments nationwide, and older houses the company has taken in part-exchange for purchases. Mortgages of up to £60,000 in the south east, and £50,000 elsewhere, are covered by the deal, which is offered to new Barratt homes between August 25 and September 30, and exchange contracts by October 16. Three-year mortgage redundancy protection insurance is available for loans of up to £100,000.

New postal account from C&G

Cheltenham & Gloucester launches a new postal account today. The London deposit account, which is a tiered version of the London Share Account. Investors can choose to have interest paid monthly though this will be at a lower rate than annual interest. The minimum transaction amount is £250. The account is advertised as instant access but withdrawals will be subject to a penalty of seven days interest. The minimum deposit is £5,000, compared with £2,500 in the Share Account. There are three tiers. Interest rates start at 9.6 per cent gross (annual) and 9.11 per cent (monthly) and the top rate is 10.2 per cent gross or £25,000 or more (annual) and 9.66 per cent (monthly).

AS PUBLIC apologies go, it was a big one. President Bush, in the speech Wall Street had been nervously awaiting all week, said he was sorry for breaking his pledge and raising taxes in 1990.

He admitted the tax increase was a mistake, he promised he would not do it again, and to make it up to everyone, he said he would cut taxes in his second term, but only if Congress would accept a compensatory cut in government spending.

The President's words drew an ecstatic response from the Republican mob in Houston, but on Wall Street the reaction was more muted - polite applause but nothing more. As Newton Zinder, technical market analyst at Shearson Lehman, put it: "Nice speech, now get re-elected."

The main emotion yesterday morning was relief that the President had not made any rash promises on taxes. Demand for Treasury bonds had been restrained for a week before the speech by concern that Bush would announce a big tax cutting package - a

move that investors feared could revive inflationary pressures in the economy, as well as hamper the long-term chances of reducing the budget deficit.

Yesterday's half-point rise in bond prices, therefore, was more a repudiation of the market's reclaiming the ground it had lost over the previous week than a positive response to the speech itself.

The stock markets, meanwhile, were far from impressed. The Dow got a quick 15-point lift in the first few minutes, but it could not hold on to its opening lead, and by early afternoon it was registering a loss of 30 points under pressure from the falling dollar.

The early consensus among equity analysts and economists was that while the President's speech may have looked and sounded good on television, it was short on economic specifics.

There was no explanation of how he would manage to cut taxes and spending, create jobs and reduce the deficit all at the same time. The markets also know full well that unless

WHEN BICC's share price hit a low of 239p on August 11, a dividend cut seemed on the horizon and there was some alarm about possible property write-downs.

Not surprisingly, when the cables and construction group announced its interim results this week, explanation of the property portfolio came high on the agenda, closely followed by mention of "the best cash performance for five years".

The share price, which had already returned to 262p, gained another 10p by yesterday. The case for crediting the group with recovery potential, alongside its high yield, was at least being mentioned even if trepidation about the economy dictated hold rather than buy.

But how is it that a group that owns one of the world's three largest cables businesses and a premier name in contracting, in Balfour Beatty, has seen its share price halved in three years? Having helped to restore BICC's image from sleeping giant to world-class cables company in the late 1980s, Robin Biggam, now the chairman, faces another uphill

struggle. BICC's pre-tax profit peaked in 1989 at £201m on turnover of £2,790m. Although it went on to achieve a record interim result of £100m in 1990 - compared with the £58m announced this week - doubts had already crept in.

The group had spent heavily not only to expand its cables business on the continent and in the US, but also on property development and house building, leading to a build-up of on- and off-balance-sheet debt.

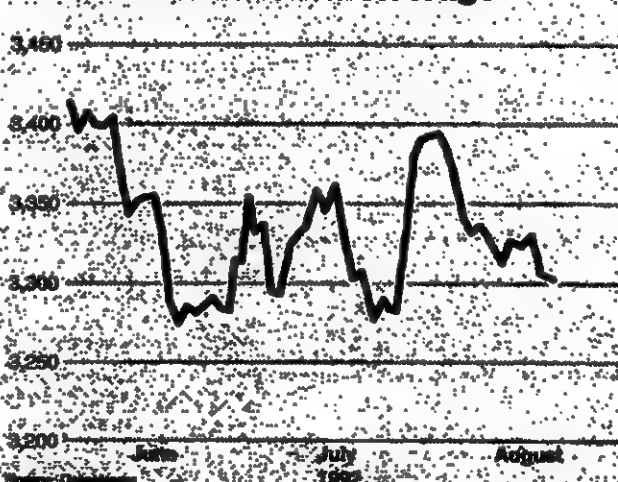
By June 1990, the chance to start buying into Spain's biggest cables maker led to an issue of £177m of convertible capital bonds. As the Spanish acquisition (complete with £100m debt) was to be phased in over two years, the fund-raising looked premature and sparked off much gnashing of teeth over BICC's gearing and cash flow.

The balance sheet was put

Wall Street

Bush says sorry but stocks still slide

Dow Jones Industrial Average



there is a dramatic turnaround in voting patterns, Congress is unlikely to be controlled by the Republicans in 1993. The chances that Bush will win approval for his plans if he wins a second term are slim.

If the reaction from stock and bond markets was less than inspiring, the response from the foreign exchange markets to the speech was the

equivalent of a big raspberry. It must have been embarrassing for the White House to see the world's central banks stampeding into the currency markets to save the plummeting dollar the day after a supposedly triumphant appearance before the nation by the President.

Luckily for Bush, the US electorate pays no attention to

the dollar. The stock markets, unfortunately, cannot afford to be so easy-going about the currency situation. The dollar's sustained weakness may help exporters (sales of US goods overseas set a record in June), but it leaves the Federal Reserve with less and less room to engineer another reduction in interest rates.

If the latest economic statistics are anything to go by, the economic could do with some fresh stimulus. The report on July's housing starts was released this week showing a 2.8 per cent decline in the number of new homes being built. The housing starts data are regarded as an important leading indicator of economic activity, and to see the numbers in decline at a time when mortgage rates are at historically low levels does not bode well for the immediate economic outlook.

The housing numbers made it a difficult week for housing stocks. Three of the biggest, Clayton Homes, Centex and Standard Pacific all posted notable losses on the data, while another, Kaufman & Broad, underlined the

gloomy short-term future for the sector by warning that its third quarter profits would be some 20 per cent to 30 per cent below the year ago.

Bank stocks also had a tough week. Almost all the important money-centre stocks took a big fall on Wednesday on a variety of rumours: that the US fund group Fidelity was a big seller of Citicorp stock; that the recent debt accord between Brazil and international banks was in jeopardy; that weakening Japanese banks would spell big trouble for US institutions; and that Citicorp was planning a new stock issue.

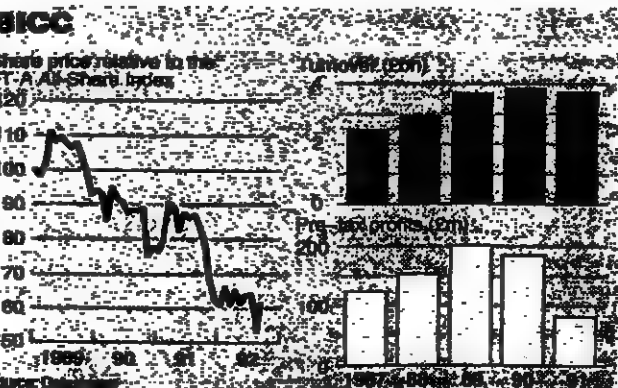
None of the rumours turned out to be true, but the sharp sell-off on Wednesday showed how vulnerable the bank sector remains despite a good second quarter and talk of much improved balance sheets.

Patrick Harverson

Monday	3324.89	-4.06
Tuesday	3329.48	+4.59
Wednesday	3307.06	-22.42
Thursday	3304.89	-2.17

The Bottom Line

BICC begins to bounce back



into shape this year with post-election optimism, via a £150m rights issue at 250p a share.

Part of the justification for the issue was the acquisition of cables companies in the US and the former East Germany. But put alongside a stated intention to maintain the

from recession, is the backlog of property development and houses.

Balfour Beatty, which accounted for nearly half the group's £1,770m interim turnover and a fifth of the £75m operating profit, is undergoing a shake-up under the new leadership of Sir Robert Davidson, chairman, and Peter Mason, chief executive. Job losses include half of the head office staff.

In cables, the pace of acquisition is being matched by rationalisation. In the last five years, turnover from the European business has doubled, but the headcount has hardly changed. Biggam pointed out that the latest US acquisition would provide a further opportunity to streamline the north American operation.

Reduced interest costs, profit improvements in north America, Spain and Australasia, and a seasonal boost from Bal-

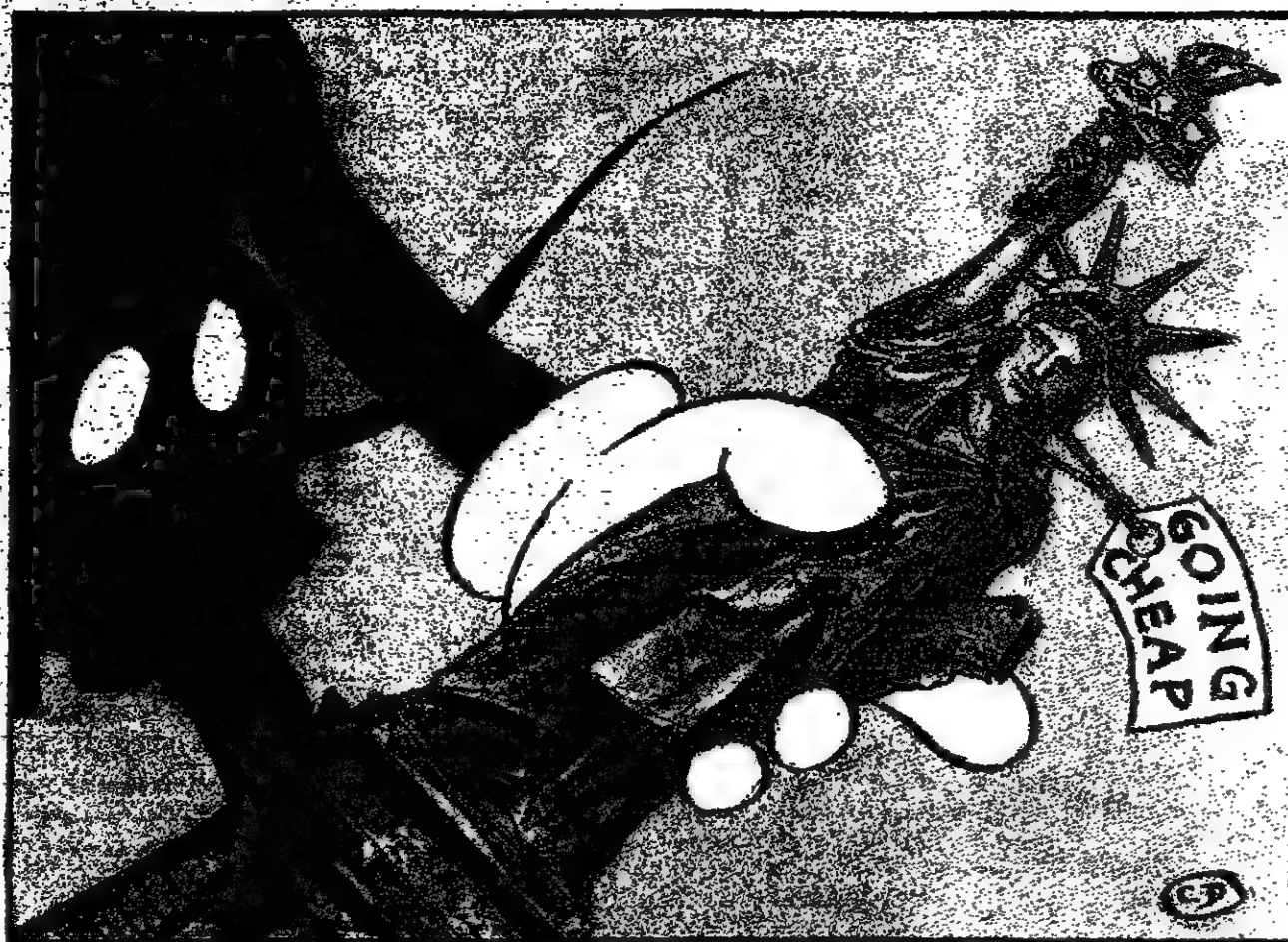
four Beatty, have been included in forecasts of around £130m pre-tax for the full year. About 22p of earnings would give a prospective p/e of less than 15, a small discount to the market, while the 9 per cent yield is roughly 75 per cent above the average.

The sting in the tail of last year's results was a £42m exceptional charge for property write-downs and losses on the Channel Tunnel contract. Will the sting be repeated? The answer is yes, probably, but to a smaller extent. This time concerns focuses on Spitalfields, a long-term joint venture valued at 265m in the portfolio.

So long as the charges do not represent a cash drain, the renewed faith in dividend maintenance is unlikely to be shaken. As for hopes of earnings recovery, the impression is one of a long haul. This was the case after the last recession when it took until 1986 to regain the 1981 level of just over £100m pre-tax. However, with two quality businesses and yield support, the arguments look strong for the long-term investor.

John Fuller

FINANCE AND THE FAMILY



Cash in on Uncle Sam

FANCY A three-bed room, Florida home with a view of the ocean for \$67,000? With the pound worth almost two dollars at the moment, any Briton who has visited the US for a holiday will have discovered how cheap most things are – a decent double room in a motel can be had for \$17 a night, for example.

It seems unlikely that this can last for ever. In 1985, the pound and the dollar were at virtual parity. And while the pound is tied to the D-mark, the rate against the dollar is free to fluctuate. According to a survey by Godwins Cityscope, 88 per cent of investment managers think that sterling will have a lower value vis-à-vis the US dollar in 12 months.

So, are there ways for UK investors to benefit from the current cheapness of the dollar, aside from taking the kids to Disneyland?

The first thing to realise is that investing in another currency inevitably involves a gamble. There is no guarantee that the dollar will not decline even further. When the time comes to convert your investment back into sterling, it could fall in value.

A second important factor is that US interest rates are much lower than those in the UK – indeed, this is one factor behind the dollar's decline. Dollar bonds pay about 3 percentage points less than gilts and dollar deposits pay 6 to 7 percentage points less than a building society account. So buying dollar assets means sacrificing income in the short term in pursuit of – far from certain – capital gain.

If they are prepared to take that chance, there are ways in which investors can try to take advantage of a potential rise in the US dollar.

■ **Currency funds.** These are dollar deposit accounts and are normally based offshore. Interest can be paid gross and "rolled up" so that tax is postponed until income is brought back into the UK. Most have no initial charge, so represent quite a low cost way of backing a dollar rise.

But US interest rates are currently extremely low, as the Federal Reserve attempts to stimulate the American economy. In consequence, the return on currency funds is pretty meagre – the Fidelity US dollar fund, based in Bermuda, yields just 2.4 per cent.

■ **Bond funds.** A higher return

can be achieved by investing in US bonds. Funds which do so tend to invest in bonds issued by the US government, or other creditworthy institutions. However, the extra return reflects an extra layer of risk.

The US dollar might move in the right direction, but a fall in bond prices could cancel out the benefit for the international investor. Thirty year US treasury bonds now yield 7.3 per cent, the lowest level for five-and-a-half years. Five year bonds yield just 5.4 per cent. There is a real chance that yields might rise (and bond prices fall) from this level if, say, the markets became convinced that President Bush was not going to be re-elected.

Indeed, Kevin Colglazier, dollar bond fund manager at Guinness Flight in London, says that one key factor which might lead to a dollar rebound – an economic recovery – would also be likely to cause

bond prices to fall.

Given the current low yield levels, US bond funds do not pay a great return by UK standards. Guinness Flight's conventional dollar bond fund, for example, yields 5.73 per cent. It also has a high yield fund, which invests in riskier securities such as Latin American

corporate debt and yields 8.03 per cent. The funds have a front end charge of 5 per cent and an annual charge of 0.75 per cent.

■ **Managed funds.** One can gain exposure to the US dollar, without making a wholehearted commitment to US securities. So-called dollar managed funds are denominated in dollars, but hold assets in many different classes of currency. They still do not offer particularly attractive yields: the Old Court fund, for example, based in Guernsey and run by Rothschild Asset Management, currently yields just 2.28 per cent.

■ **Equity funds.** There are 126 unit and four investment trusts which offer investors the

chance of exposure to the US equity market. The problem is that investing in another country's equity market is normally a much greater bet on shares than it is on the currency.

Wall Street has survived the recession rather better than many other markets, thanks to the low interest rates. But the consequence is that many people think the market could be due to fall – according to

DataStream, the price-earnings ratio is over 20 and the dividend yield is below 3 per cent, low by historical standards.

For those who do want to back the prospects for US equities, the best 10 year unit trust performance in the sector was produced by Fidelity American; the best five year record was by Foreign & Colonial's US Smaller Companies.

■ **Property.** For the wealthy, this area offers the interesting opportunity of combining investment and pleasure; many people own villas in Spain or Tuscany, so why not a holiday home in New England?

According to Dr Sol Rabin, of TCW Realty in Los Angeles, there are three reasons why US property might represent a historic buying opportunity: the weak dollar, recent falls in US property prices and low interest rates.

The US real estate market is highly regionalised and individual areas have their boom

and bust periods. New England in particular has seen some calamitous falls: California – which previously had held up well – is now suffering from recession.

So, as with shares and bonds, there is the risk that any gain you make on currency movements will be cancelled out by property prices. Nevertheless, if you were thinking of buying an overseas holiday home in any case, this could be the time to consider the US.

There are obvious dangers in buying a property on another continent. Joseph O'Connor, president and chief executive of Copley Real Estate Advisors, advises potential homeowners to "never buy anything without seeing it." If you are buying from a corporation, O'Connor says you can check its reputation with a local better business bureau, which most communities possess. As a further safety measure, he favours using a local well-known realtor (the American term for estate agent).

Prices vary enormously from region to region. The three-bedroom Florida home for \$67,000 (\$130,000) was mentioned by Alice Petty, of Host Realty in Melbourne Beach on the Atlantic coast. An average family home (three bedrooms, two bathrooms) in Cape Cod, Massachusetts costs around \$150,000 (£77,000), according to the Massachusetts Association of Realtors. If you want a beachfront condominium in California, prices start from around \$250,000 (£129,000), according to TCW Realty's Rabin.

There are additional costs; the cost of air travel to the US is very variable, depending on competition in the market and the time of year. The US equivalent of the council tax – local property taxes – tend to cost 1 to 2 per cent per annum of property values, according to Copley's O'Connor. Some states also impose transaction taxes on house deals. And when you come to sell, you will find that the realtor's commission is about 5 to 7 per cent, much higher than a UK estate agent's fees.

However, if you are prepared to limit your visits to the spring and autumn, you may be able to cover a significant part of your running costs by renting out your home in the summer season. And a home in Florida does sound more glamorous than a semi in Surbiton...

Bank auction offers chance to buy gilts

Sara Webb previews a sale of long-dated government bonds

THE BANK of England is to auction £2.5bn of long-dated UK government bonds on Wednesday. The issue, due for repayment in 2017, will pay an interest rate of 8½ per cent. Private investors interested in a long-dated issue with a reasonable coupon must make sure their applications are in by 10am on Wednesday.

Since the government's return last year to borrowing in the gilt-edged market, the Bank has issued stock using such methods as taps and auctions. Although the Bank does not have a set calendar for auctions, it tends to hold them every two months or so.

The auctions are dominated by institutions and dealers, which usually buy about 99 per cent of the stock. Private investors must complete an application form. There are two ways of taking part – either with a competitive or a non-competitive bid. Competitive bids are for investors, such as the institutional buyers, who want £500,000 or more of stock. Private investors who want to buy between £1,000 and £500,000 submit non-competitive bids. The amount they pay is determined by the outcome of the competitive bidding and is the average allotment price achieved.

If you want to buy between £1,000-£10,000, you must apply to buy a multiple of £1,000. If you want between £10,000-£50,000, apply for a multiple of £5,000. And if you want between £50,000-£500,000, your application must be for a multiple of £25,000.

The gilt issue being auctioned is partly-paid, which means you put up only a certain amount at the time of the auction. In this case,

you pay £40 for every £100 of stock for which you have applied. At previous auctions, investors submitting non-competitive bids have received all they wanted.

After the auction, the Bank sends out letters of allotment, plus a registration form with details of the remaining amount to be paid on September 23.

The stock being sold on Wednesday was created earlier this year to meet demand from insurance companies for a "super-long" gilt. You should remember, though, that you can buy the same issue fully-paid in the gilt market as £2.5bn was issued.

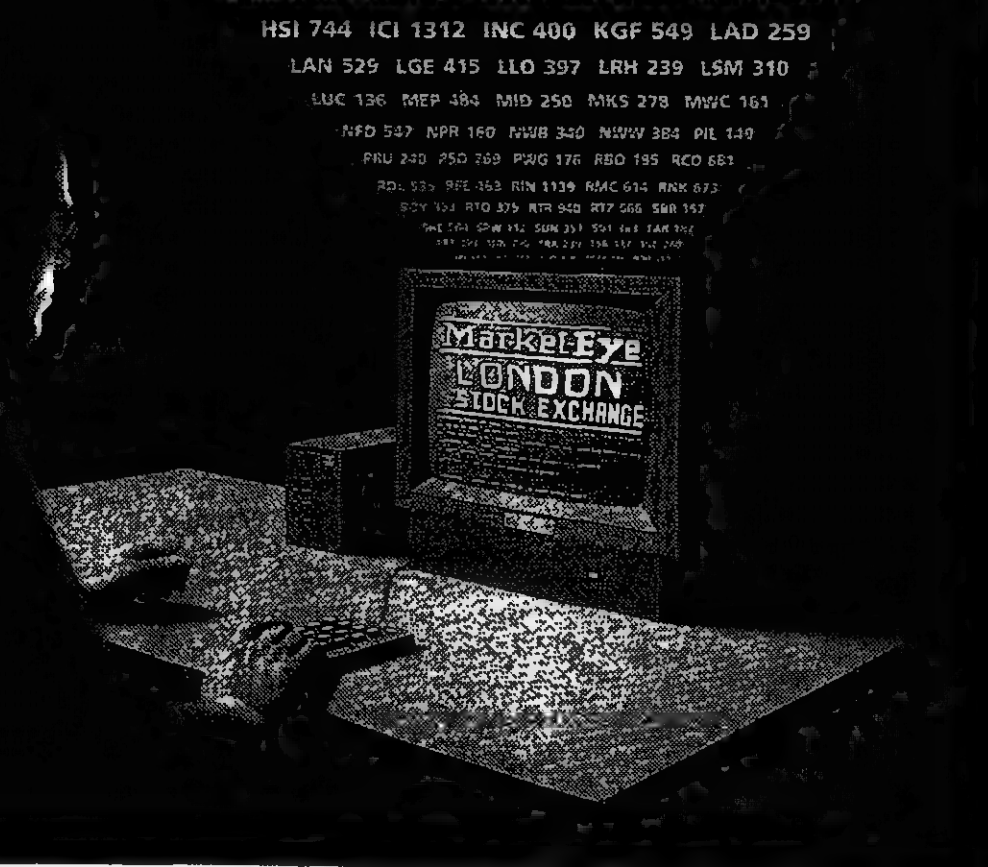
The auction stock is trading in the "grey" (pre-issue) market and is about ½ of a point cheaper (on a fully paid-up basis) than the existing stock. So, in terms of the stock price, you might not make a big saving by buying at auction.

You could, however, save on brokers' commission which you normally pay when you buy gilts in the secondary market (although you can reduce the cost by buying at the post office). If you buy a new issue at auction, there is no commission.

*Application forms were printed in the Financial Times and the Daily Telegraph on Wednesday. Additional forms are available from the Bank of England, Registrar's Department, Southgate House, Southgate Street, Gloucester GL1 1UW, tel. 0432-392-047 or 392-048; the Central Gilt Office, Bank of England, 1 Bank Buildings, Princes Street, London EC2R 8EU; or the bank's branches or agencies in Birmingham, Bristol, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Southampton.

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AYL 294 BAA 467 BAR 459 BAS 1026 BAT 664
BAY 192 BCI 256 BET 232 BIC 415 BOC 596
BOO 416 BSC 122 BTR 417 CBR 419 CTL 473
CUA 493 ETL 524 ETP 519 FIS 462 FTE 274
GAC 544 GAR 180 GAS 292 GEC 198 GLX 1401
GME 850 GUI 1021 GUS 1340 HLD 214 HNS 224
HSI 744 ICI 1312 INC 400 KGF 549 LAD 259
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FINANCE AND THE FAMILY

Rough ride for employee share plans

EMPLOYEE share schemes have hit one of the most turbulent patches in their 12-year history, with high drop-out rates as recession and company restructurings sap investor confidence or force withdrawals. But the schemes continue to offer some of the highest interest rates available as well as one of the safer ways of gambling on stock market recovery.

More than 1,900 companies run share/save schemes in association with building societies or National Savings. Employees agree to save between £30 and £250 a month via a five- or seven-year save-as-you-earn (SAYE) contract. At the end of the term, a tax-free bonus is added to the amount saved and employees can either take the cash or use it to buy shares in the company at a price fixed when the SAYE contract began - up to 20 per cent below the market price at the time.

The tax-free bonus rates are adjusted periodically by the Treasury. In October, the five-year bonus drops to 12½ per cent while the seven-year bonus goes down to 20 per cent. This will give a tax-free return equivalent to 7.49 per cent over five years or 7.83 per cent over seven.

But savers in schemes started within the past two years have locked-in rates as high as 9.2 per cent over seven

years or 8.9 per cent over five. In some cases, the savings side of the scheme is all that remains after share price movements destroy the value of the fixed-price options. For instance, a BIGG scheme maturing this month after five years has a fixed-price option of 284.3p against the market price of 239p.

"Those 1,500 people are under water - they will all be taking the money," said Bob Birkhead, manager of corporate business administration at the Halifax building society, which operates schemes for 350 companies. He added that the society recently had increased the drop-out rate in its share/saver computer model from 5 per cent to 7 per cent annually. But he noted that average savings were rising, from between £20 and £35 a month to almost £40.

One of the most dramatic slides in share price has been at Asda, where employees with share/save contracts hold options priced at 133p, 108p, 84p and 65p against the recent market price of 24½p.

The Yorkshire building society, which operates schemes for 182 companies, has noticed a 40 per cent drop-out rate over the past year. "If people want the money, saving is the first thing to go," said corporate business manager Maggie Whitmore. Savers who quit during the first year of a scheme receive a refund of con-



Asda, where one of the biggest share-slides has taken place

tributions only but interest of 5 per cent, tax-free, is added in years two to five.

On taking a random sample of schemes maturing soon, Whitmore said she was surprised by the number still in profit. Silentnight company schemes maturing this month allow employees to buy shares, now 186p, at 104p and 77p but only 88 people completed the savings terms out of 301 who started.

How share/save participants fare in mergers depends largely on the rules of the scheme and the companies involved. Option-holders may have the frustration of seeing the share price propelled to

great heights by takeover talk, yet still miss out. Like people leaving the company, they may be forced to exercise their options early, within six months of the merger or not at all, using only the savings already built-up. If this happens during the first three years of the scheme, there may also be an income tax bill.

On the bright side, transfers to a predator company's share/save scheme are sometimes possible without penalty. In demergers, which are less common, treatment of employees can be subject to the company's negotiating skills and, perhaps, generosity. ICI is to meet the building societies

operating its share/save scheme in the next few weeks to discuss terms for the 20,000 employees holding contracts if the company's proposed demerger goes ahead. Options on ICI shares are fixed at prices of £13.81, £8.91, £5.14 and £11.88 compared with the recent market price of £11.05.

Employees in recent demergers have had contrasting experiences. BAT employees belonging to the demerged Argos and Wiggins Teape Appleton divisions were "hard done by" according to Mark Chamberlain, head of personal services at BAT Industries, who explained that they had been hit three ways: losing out by having to exercise their options early on a reduced number of shares; missing compensation for the lower intrinsic value of the BAT share caused by the demerger; and then paying extra income tax.

People who stayed with BAT Industries were also "very disappointed indeed," Chamberlain added. Barred from exercising their options early, they saw the market price of the shares drop to reflect the demerger without any corresponding adjustment to the option price. The BAT price dropped from 816p in September 1989 to 738p after the Argos demerger in April 1990, and to 650p after the Wiggins Teape demerger. The BAT share/save option prices had been fixed at

647p, 383p 631p and 405p in the years back to 1986.

Despite the disappointment, Chamberlain said there had been no mass defections from the scheme. A further 7,000 employees had joined schemes launched since the demerger with options at 430p, 524p and 532p.

He explained that the company had wished to adjust the pre-1990 option prices to take account of the demerger but had failed to win over the Inland Revenue and John Major, then the chancellor of the exchequer. Officials also refused to allow BAT employees demerging to Argos and Wiggins Teape to switch their savings into the schemes to be launched by those companies.

Employees of Rascal were more fortunate in last year's demerger of Vodafone. About 8,000 of them, holding options at prices ranging from 80p to 176p, were given the right to exercise them early. This meant they were able to buy Rascal Electronics, then worth 229p, in time to qualify for free shares in Vodafone (57 for 100). Rascal helped to arrange loans for employees so that they could buy the amount of shares they would have received if the savings contract had run its full term. The company also compensated employees for any extra income tax charged as a result.

Barbara Ellis

BES gets new lease of life

THE business expansion scheme (BES) is back, with another 18 months to go before the government bids it adieu. The continued proliferation of "contracted exit" schemes involving universities and housing associations is in line with expectations. But the revival of more entrepreneurial schemes is more surprising.

BES companies which are not backed ultimately by property are very risky. They can't be justified as a home for mainstream savings - but they can be a tax-efficient way to invest money: you are prepared to lose. Most such schemes make for rather more entertaining investments than you can manage through National Savings.

Offerings at present include Musica Opera, raising money for a new record label backed by the Consort of Musicians which will specialise in early music; Spittoon, a television

production vehicle for the making of the satirical programme *Spitting Image*; Beethoven, a chain of classical record shops; and Airtrout, which aims to build a new two-seat British sports car, the Mirach.

None of these companies can be recommended as a secure investment in its own right compared with the possibilities on offer from the assured tenancy sector. But the financiers who place together BES companies have spent the past four years squeezing as much risk as they can out of the system.

This led to contracted exit schemes where companies buy accommodation for universities or housing associations in return for a pledge to buy back the property at a fixed price after five years when BES exemptions expire. Thus, they could predict a fixed return.

Universities and housing associations are not naturally strong financial institutions though. With property prices

in reverse, BES sponsors looked for third-party guarantors and self-financing deals.

The most recent such offering is Bessa Blue Chip, which is sponsored by Close Brothers. Barclays direct mortgage service, part of Barclays bank, is contracted to pay £1.20 for every £1.00 share after five years. Top-rate taxpayers will effectively have paid only 60p, so this is equivalent to Barclays offering to double your money in five years.

A similar offer, The Residences At Manchester (TRAM), sponsored by Hodgson Martin, will buy accommodation for Manchester University's institute of science and technology. After five years, £1.58 will be paid for every £1.00 share.

Finally, reversionary schemes, where BES companies buy houses cheaply from the elderly and then allow them to live there until they die, also seem set to gain in popularity with Johnson Fry, the leading BES sponsor, planning new issues. These offer the opportunity to buy properties very cheaply but there could be problems in exiting from the deals after five years.

John Authers

Invest without risk

MANY PEOPLE like the idea of investing in the stock market but are scared of losing their capital. Hypo Foreign & Colonial Marketing is the latest company to try to attack this problem, with a fund called Protected Capital Plus. The idea is to give investors exposure to stock market growth while ensuring that their capital never falls in value.

The Foreign & Colonial product is a new twist on an old concept. The bulk of the investor's money is invested in interest-bearing deposits, which grow to repay his capital. The remainder is invested in futures and options to give fundholders the equity-kicker.

What makes the F&C fund different is that the process happens quarterly. Say you have invested £10,000. If after three months the stock market has fallen, you will still have £10,000. If, however, a strong stock market means the fund grows by 10 per cent, you will have £11,000. That will be your

base capital for the next three months; gains, once made, cannot be lost. You can withdraw your money without charge, at the end of any quarter. That gives the fund an advantage over similar products which tie-up your capital for years.

Inevitably, these advantages have their costs. The fund does not pay an income. But when you sell your holding, any gain is subject to income, rather than capital gains, tax. Since most people do not use up their annual CGT allowance (now £5,000), this puts the fund in a worse tax position than a unit or investment trust.

Furthermore, the fund does not give the investor the full benefit of equity investment. Much depends on the cost of the options which the fund buys. If the market has been turbulent, the options will be expensive, limiting the fund's ability to match the index.

Over three months, F&C reckons that, when the return, the fund will achieve a return equal to about 80 per cent of the increase in the

FT-SE 100 index. But the investor will "catch up" in quarters when the market falls and the fund's value remains stable.

On that basis, the fund would have earned an average 13.7 per cent gross a year between 1980 and 1992, compared with a gross return of 11.1 per cent from a building society over the same period.

There are two caveats about safety. F&C is not guaranteeing the return of capital - it is possible that the deposit element of the fund might invest in a bank which goes bust. The fund will strive to avoid this by investing only in banks rated AA and above.

The second caveat is that this is an offshore fund, based in Jersey and unregulated by the Securities and Investments Board. As such, it can be sold only by professional advisers.

The minimum investment is £5,000. There is an initial charge of 5 per cent and an annual management charge of 0.9 per cent.

Philip Coggan

Directors' Transactions

THE OVERALL impression from our interpretation of the pattern of directors' dealings is still that the market is cheap. Purchases far outweigh the number of sales and the actual cash value of many of these purchases is rising, reflecting a growing boldness in the boardroom.

Nonetheless, there are still sellers about. Three directors sold a total of 130,000 shares in Dalepark Foods at 27p per share. In the case of all three it was considerably more than 10 per cent of their respective holdings.

Since the beginning of 1991, these shares have risen strongly from 180p, touching 430p earlier this year. Final results announced in July revealed earnings up 30 per cent, but the accompanying chairman's statement warned that there was still no sign of recovery in the marketplace.

Carlton Communications, the television services group, has

been one of the better performing Poole stocks, outperforming the market by some 27 per cent over the last year. Nigel Wray, a non-executive director, has sold 100,000 shares at 550p leaving him with 187,000 shares, still the fourth largest holding on the board. The group is still expected to show double-digit earnings growth in the year to September 1992.

Last week we mentioned Istoc Johnson and referred to the purchase by Colin Hope of 30,000 at 47.5p. This week, Paul Hyde-Thompson, the chairman, bought 50,000 at 37p. Given that it was Hyde-Thompson who sold shares to such very good effect at the end of last year, the purchase is the worth noting. It should be borne in mind, however, that does not involve a large amount of money.

Angus MacDonald, Director Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Share	Value	No of directors
SALES			
Carlton Comms	Med	100,000	550
Courtyard Leisure	Med	125,000	25
Dalepark	Med	100,000	373
Saville Gordon	Med	1,000,000	325
Metal Bulletin	Med	80,000	176
Morland & Co	Brew	5,200	13
Royle & Nolan	Bus	36,700	89
Unilever	FdM	11,584	108
Witan warrants	Intr	10,048	59
PURCHASES			
Asprey	Stor	265,375	528
Barkley	C&C	122,202	230
Birkdale Grp	Med	80,000	20
Boxmore Int	Med	20,000	26
British Petroleum	O&G	10,536	20
Capital Gearing	n/a	7,500	23
Electron House	Med	200,000	46
Fairway Group	Med	115,000	20
Farnell Elec	Med	7,500	20
Filofax Group	Med	35,000	18
Gibson Lyons	Med	50,000	22
Great Portland	Med	100,000	108
Hobson	Eng	225,000	11
Istoc Johnson	Med	50,000	18
Orlanti Int	Med	100,000	13
Orlanti Int	Med	200,000	353
Rea Bros	Med	45,000	12
Southend Props	Med	40,000	16
Tiphook	Med	5,000	14
Usborne	FdM	129,780	21
Verson Int	Med	390,000	12
Warner Estates	Med	10,000	13

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 10-14 August 1992.

Source: Directors Ltd, Edinburgh

Diary of a Private Investor

Children who hold a bank to account

LAST MONTH, my two daughters (aged 10 and 11) and I learned that their National Westminster World Savers bank accounts had gone the same way as the dodo. According to the colourful publication produced for them: "Some World Savers have been worried over the environmental crisis of producing Our World magazine, the Royal Mint medal and the plastic membership pack" - all of which focused on assisting the World Wide Fund For Nature.

The bank also pointed out that "many customers are aware that, more recently, NatWest has developed a different account. First Reserve, with several advantages over and above those offered by World Savers. In particular, First Reserve offers rates of interest which rise to reflect balances maintained and, even at the lowest balances, pay significantly more than World Savers." The bank recommended switching to First Reserve.

At that time, registered non-taxpayers like my daughters had been receiving World Savers interest of only 3 per cent gross. First Reserve offered 4.35 per cent gross on amounts up to £99 with rates increasing in stages so that, for example, accounts with £1,000 received 8.25 per cent.

NatWest deserves credit for writing to savers explaining its changes in accounts. Too many banks and building societies allow savers to leave their money in inappropriate accounts earning little for not interest when new and much better ones are available.

My children feel, though, that banks and building societies should credit youngsters with more intelligence. Most of the comics which accompany accounts aimed at children are rather simple (although Our

World magazine was an exception). But why do banks and building societies not use such publications to explain and promote a greater and more detailed knowledge of savings and economics?

Why do they not mention how to buy shares and explain what share ownership means - perhaps using a few well-known companies like Walt Disney and United Biscuits? They could also explain what the bank does with their money. To whom is it lent? How does the bank or building society make a profit?

Like many other savers, my children have become more sophisticated over the years.

Many people may be having tax deducted when they have no liability

While "freebies" such as money boxes, comics and other incentives are still very welcome, higher rates of interest are even more desirable in these difficult economic times. So, if it comes to a choice between a freebie and a good rate of interest, my children know where their priority lies.

In any case, the number of accounts at building societies offering special incentives to young savers seems to be decreasing rapidly. This could be due to children keeping a tiny sum in them to qualify for the freebies but placing larger sums in other accounts, sometimes with the same society.

The more children who do this, however, the quicker the demise of these accounts is likely to be as it becomes uneconomic to operate millions

of accounts with very low balances and still provide freebies. Already, we have seen the end of the Postman building society's Young Generation account, with its free coloured pencils and other incentives, and the Chelsea Kids account.

Some types of account still pay more interest to children than adults. While children can no longer open a Chelsea Kids account, those with money in it get better interest than an adult with an account of less than £1,000 at the same society.

Some accounts vary the interest depending upon the age of the child. The Junior Barclay Plus account for under-11s pays less than a Barclay Plus account for those between 11-16 (although, if those young savers had £100 or more, they would be better off in an ordinary higher-rate deposit account).

Many children receive money from grandparents. But sometimes this can give rise to shocks. I know of one grandparent who had been paying £2 a month by direct debit into TSB accounts for each of his grandchildren since they were born.

When, last month, the father was asked to take control of the passbooks, he discovered that the interest rate on those accounts was only 2.5 per cent - and that it was possible to switch those accounts immediately to a First Save account paying 7.25 per cent gross. He also found that tax had been deducted from the interest.

I suspect there are millions of accounts like these where people are having tax deducted unnecessarily from interest when their income is too low to incur a tax liability.

Kevin Goldstein-Jackson

The Week Ahead

BRITISH GAS announces its second quarter results on Tuesday - the first since it called for a Monopolies and Mergers Commission inquiry into the UK gas market.

The share price has slipped slightly on the resulting uncertainty and is unlikely to be boosted by Tuesday's figures. Expectations range widely from a historic cost per loss of 275m to a £150m profit, reflecting forecasting difficulties in the first year of quarterly reporting by British Gas and a changed year-end from March to December.

However, the spring quarter is a period of slack demand, and so cannot be compared with the 1988m profit made in the first quarter.

Interest centres on the dividend with the market looking for a signal that the payment will not be affected by the MMC referral and recent regulatory changes. Estimates range from 6.4p to 7.7p for the first half, with most around 6.5p.

W H Smith is expected to report on Wednesday pre-tax profits for the year to May 31 of £110m-£114m. This will be a healthy increase on the previous year's £93m, helped by last summer's rights issue and the disposal of its loss-making television division. The retailer is likely to raise its full-year dividend to 13p or 14p from 12.5p.

Newspaper wholesaling, the subject of the MMC study launched this week, has continued to perform strongly. US operations have been good and UK retailing reasonably resilient. But Do-It-All, the do-it-yourself chain owned jointly with Boots, is likely to have made a much lower contribution.

Guardian Royal Exchange, the smallest of the UK's five leading composite (general and life) insurers, is expected to report a cut in pre-tax losses on Wednesday, underlining the sector's recent improvement. Pre-tax losses are expected to fall to between £45m and £60m compared with a deficit of £98m at the interim stage last year.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share	Market price	Value of bid	Value of bid	Notes
Henry's	85p	70	52	52.54	Cornell (T)
JS Pathology	175	170	154	23.06	Cornell
Magneto Metals	80p	58	59	11.09	TT Group
Manders	232	188	237	78.26	Kafan
Penny & Giles	308p	250	235	29.53	Bentley
Templeton's	55p	25p	25p	58.13m	Franklin

*All cash offers. **Cash alternative. ***For capital not already held. ****Conditional. *Based on 2.50 pence price. **Based on 2.50 pence price. ***Based on 2.50 pence price. ****Based on 2.50 pence price.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£m)	Shareholders' per share (p)	Dividends per share (p)
Applied Microelectronics	Mar	1,820 L	(2,820 L)	-
Bechtel	Jun	98 L	(15,100 L)	0.2
Chandler Group	Dec	22,800 L	(18,300 L)	-
Countrywide Bank NZ	Jun	40,900 L	(16,500 L)	-
de Morgan Group	Apr	1,710 L	(1,130 L)	-
ETF	Mar	188 L	(245 L)	-
Group Lotus	Dec	14,700 L	(12,700 L)	-
Heath (Samuel)	Mar	308	(377)	7.3
Joe Holdings	Jul	529p	(571p)	5.68
Radio Securities	Mar	2,170	(3,018)	15.4
Pine Holdings	Apr	1,170	(3,680)	13.9
US Smaller Co's	Jun	114p	(-)	0.54

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£m)	Shareholders' per share (p)	Dividends per share (p)
Alliance Tel	July	16,030	(16,570)	14.0
Anglo	Jun	5,500	(10,720)	2.5
Bentley (William)	Jun	22 L	(76 L)	-
BICC	Jun	58,000	(86,000)	8.0
BPP Holdings	Jun	2,570	(2,200)	2.7
Braden Resources	Jun	225 L	(-)	-
Braden Resources	Jun	4,430 L	(1,270 L)	-
Braden Resources	Jun	-	-	10.3
Burlington Group	Jun	498	(398)	-
City Centre Reels	Jun	4,380	(3,220)	0.45
City Merchants	Jun	-	(-)	4.978
Clive (T)	Jun	872	(1,330)	1.25
CSC Int Tel	Jun	30p	(244p)	1.5
Dawson Group	Jun	1,870	(187 L)	0.78
Dumfries Income	July	5,100	(8,500)	4.4
Dumfries Income	Jun	2,450	(2,010)	2.09
F&C Enterprises	Jun	349	(589)	-
Fidelity European	Jun	1,480p	(-)	-
Finland Mercantile	July	5,140	(7,810)	3.85
GT Child Growth	Jun	7,070p	(8,300p)	-
Hickman Int	Jun	16,500	(7,500)	2.85
Independent News	Jun	7,000	(5,200)	5.5
Irish Life	Jun	-	(-)	3.0
Kale Int	Jun	330	(125)	1.5
LEC Refrigeration	Jun	320	(703)	4.0
LIT Holdings	Jun	2,280	(1,520)	-
Lowes (Robert H)	Apr	185 L	(385 L)	-
Martley	Jun	8,700	(9,400)	2.1
McAlpine (Alfred)	Apr	71 L	(700)	3.0
Micro Focus	Jun	17,200	(15,400)	-
Other Resources	Apr	100 L	(274 L)	-
Plasencia	Jun	307	(307)	1.5
Purcell & Potts	Jun	1,420	(1,010)	2.25
Quicks Group	Jun	1,110	(310)	1.75
Rentall Group	Jun	51,100	(42,300)	0.64
Rosebery's	Jun	608	(463)	0.9
Sandwich Group	Jun	51,700	(56,300)	8.0
Shorro Group Hedge	Jun	105	(115)	2.4
Speer (W)	Jun	318 L	(838 L)	2.5
Stratcliffe Hedge	Jun	36,800	(34,200)	6.0
Victoria	Jun	6,000	(6,000)	2.5
West Holdings	Jun	1,000	(804)	-
Wills Corson	Jun	54,100	(65,400)	6.5
Wyndale Garden	Jun	2,000	(2,200)	2.48

FINANCE AND THE FAMILY

Are nominee share accounts entirely safe?

Scheherazade Daneshkhu on the debate over protection for investors

MANY stock market investors are surprised when they discover shares held by their stockbroker may not be in their own name but in that of a nominee company.

These companies are formed by brokers or fund managers to hold shares on behalf of their clients. Investors with personal equity plans often find their shares held in a nominee account.

Nominee accounts have existed since the 1950s, but their use has grown in recent years. In 1987, 12.5 per cent of institutional and private shareholdings were in nominee accounts, rising to 26.1 per cent in 1991. In the 1990s the proportion rose from 33.4 per cent in 1981 to 61 per cent in 1991.

Stockbrokers favour nominee accounts because they ease administration and reduce costs. Companies usually have to pay their registrar a fee based on the number of shareholder accounts. If private investors are held in one nominee the registrar is paid for only one account.

In the run-up to the introduction of Taurus, the Stock Exchange's paperless trading system, stockbrokers are urging clients to switch into nominee accounts. This will ease the administrative headache of the transition to Taurus for brokers.

Investors also face less paperwork with a nominee account. They do not have to sign transfer deeds to sell shares, and dividends and rights issues are handled by the nominee company and the client.

However, there are disadvantages. The investor does not automatically receive the annual report of the company in which he has bought shares. More importantly, nominee services fall outside the scope of the Financial Services Act and technically are not covered by the Investors Compensation Scheme. This pays up to £48,000 of losses by an investor in a FSA-regulated company. Instead, the investor's only protection is whatever insurance policy the broker may have, though reputable houses should have adequate insurance for their clients.

There are two main types of nominee account: a designated nominee, where the broker's name and that of the client appear together on the company register; and a pooled nominee account, which groups together shareholders with only the nominee company's name appearing on the register.

Alison Renshaw, Taurus

project manager at Barclays, says "designated nominee accounts are preferable, if only because were a stockbroker to go bust, sorting out who is owed what in a pooled nominee account is more difficult."

David Cresswell, of the Securities and Investments Board, the regulatory body for the investment industry, says that in practice, if a nominee company goes into default, the investor is likely to have a claim against the investment company running it. "You would probably be covered because of the close connection between the authorised institution and the nominee company," he says.

So long as the investment company, or stockbroker, is authorised by SIB or one of the self-regulatory bodies such as the Securities and Futures Authority (as it is legally bound to be), compensation would be available. The investor can claim against the investment company, for example, if it:

■ has been negligent in selecting the nominee;

■ has breached its regulatory rules regarding safe custody of client assets; or

■ has given the investor a guarantee that it stands behind the liabilities of the nominee company.

This was illustrated last year when Diameter, a low cost stockbroker, collapsed. Some investors who had instructed shares to be bought for them could not find them in the nominee company. The ICS compensated them on the grounds that the authorised company, Diameter Stockbrokers, had been engaged in wrongdoing because it did not buy stock when it was instructed to do so.

This provides scant reassurance to those in nominee accounts. With this in mind, Mike Jones of Capel Curry, who has called for level playing fields. "We've argued with the SFA that since it is treating nominee clients as part of the whole stockbroking operation, we see no reason why it should differentiate between a client in a nominee account and one with their name on the register."

APCIMS (the Association of Private Client Investment Managers and Stockbrokers) has also been discussing the issue with SIB.

This week it secured agreement from SIB that member firms of APCIMS can tell clients that a nominee meeting "certain conditions and criteria will be eligible to apply for compensation under the terms of the Investors Compensation Scheme in the event of a SFA-

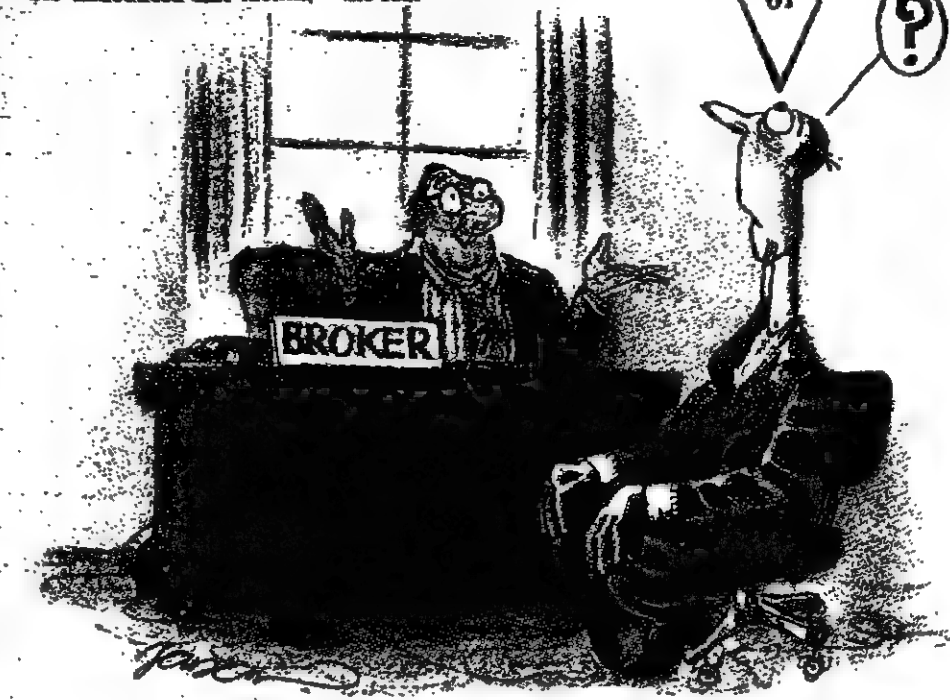
regulated firm's default. The Scheme Rules treat them in the same way as those with stock registered in their own name."

These conditions include making sure that the nominee company is well managed and accepting liability for losses in the nominee as if they had arisen in the company itself.

SIB announced last month,

as a result of the Maxwell affair, that it would review the supervision of the custody of investor assets, including the "increasing use by investment firms of nominees."

The introduction of Taurus also creates opportunities. Details of a compensation scheme are under discussion, and that could plug the gaps in the ICS.



Cloudy future for Taurus

THE small print of regulations put to shareholders at company meetings seldom attracts much attention. Votes go through on the nod. Formalities are tidied up and everyone goes home.

The small print sometimes bears closer examination, though. By next summer most UK companies will have asked their shareholders for permission to do away with share certificates and the transfer forms used when shares are sold. The changes are needed for companies to join Taurus, the Stock Exchange's long-delayed paperless trading system, which is due for launch sometime next year.

Around 30 companies have sought - and got - their shareholders' support for the switch, among them BT, Lloyds, Yorkshire Water and Argill. Most companies, though, have delayed, many because they have yet to be persuaded that Taurus will get off the drawing board or because they lack confidence in the system.

Marks and Spencer's chairman, Sir Richard Greenbury,

said at the company's annual general meeting last month that he was not asking shareholders to approve a switch to Taurus. The system is untried, and it would be better to wait to see if it works first, he said.

Should shareholders withhold their support when other companies ask them to vote on the switch? Certainly, there are still many things about Taurus which are unclear. One is the compensation scheme for investors who lose money through the system.

The government has hulled the Stock Exchange into agreeing compensation of up to £250,000 for each claim. It is not clear yet, though, whether or how the brokers and others who are plugged into Taurus will be able to provide this sort of cover. Nor is it clear what types of losses will be covered, and which will not.

There is also uncertainty about when all the technical obstacles will be overcome, and whether any computer network that is used by several hundred banks, stockbrokers and other institutions can be made secure.

There are also other consid-

erations that may give shareholders pause. Dealing will not be any cheaper, and may even get more expensive as banks and brokers try to recoup the cost of joining Taurus. Shareholders will be able to sell shares without signing anything: anyone who wants the added assurance that shares will only be transferred on his or her written consent will have to pay for the privilege.

Taurus is not all bad news for the private shareholder. You will no longer have to worry about the safekeeping of share certificates, or pay for replacement certificates when old ones are lost.

Not convinced of the benefits? Well, resistance may be useless. Most companies are largely owned by institutional shareholders, who have more powerful reasons for supporting Taurus and who have the muscle to out-vote private shareholders. But that should not stop some brave soul standing up at an AGM, shouting "What's in it for me?"

Richard Waters

Capital gains on US shares

I HAVE recently had share certificates from several US investments, which were previously held on my behalf by overseas nominee banks, transferred into my sole name in the UK.

As there will be seven quarterly dividends paid to me (28 a year) what is the most efficient and economical way of processing these? Presenting them at a bank incurs multiple commission and varying exchange rates.

Would it be possible to open an interest-bearing dollar account in this country, if so how would UK tax be deducted and recorded? Would you be able to suggest any American banks I could contact for this purpose?

If you pay the dividends into a dollar account in the UK, the bank will deduct 10 per cent UK tax (or 25 per cent on dividends which are exempt from US tax) by reference to the exchange rate for the day.

You may find it is more economical to have the dividends mandated to a bank in the US. You could then have money sent over (in sterling) to your existing UK bank account, at convenient intervals or as required.

We cannot recommend particular banks: it may be best to have a chat with your existing bank.

Bear in mind that each withdrawal from a foreign-currency bank account produces a chargeable gain or an allowable loss for CGT purposes. If you are thinking of having more than one dollar bank account, write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB, and ask for a copy of SP10/84 - Capital gains tax: foreign banks accounts.

O&A

BRIEF CASE

10 legal illustrations and the solutions by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Selling a business

I HAVE been in business as a sole trader for the last 10 years. I am 65 and propose selling the business to two colleagues.

It is a service business and the only asset is the goodwill, which has been evaluated at £200,000. Unfortunately the two colleagues do not have £100,000 each readily available to make the purchase.

Are there any provisions in capital gains legislation or related case law which allows a would-be purchaser of a business to repay the purchase price over a period of time out of profits generated from the business without affecting the seller's CGT requirement relief?

Yes, there is no problem (so far as CGT is concerned) if the sale agreement provides for the consideration to be paid by instalments over a number of years.

The solicitor who draws up the sale agreement will be able to guide you through the tax maze. Ask your tax office for the free pamphlet CGT6 - Retirement: disposal of a business.

Minding Your Own Business

Big in a tiny market

Nick Garnett visits a model train maker

PETER Farish muses over the reaction of people when they hear what he does. "It gets very interesting at cocktail parties. When our company made speedboats people used to say: 'What, you make boats? That sounds impressive.' Now that I tell them I make model railways there's this tiny second when they just look at you. They are thinking of a little guy at the back of his garage playing around with stuff on a bench. You know, wife, dog, torn cardigan."

Well, Graham Farish, the company named after Peter's father, is not quite like that. From its small factory near Poole, Dorset, it claims to supply 85 per cent of the UK market for tiny N gauge railways and equipment. In the 1:125 scale of railway modelling, N gauge is half the size of the Double-0 or Hornby gauge.

Competing with a battery of German manufacturers, Graham Farish makes 20,000 to 30,000 miniature locomotives a year and 80,000 models of other rolling stock as well as supplying complete train sets with track, model buildings and miniature figures. Some items, such as track and electric motors are bought in but most are made in-house. "I like to think of us as a microscopic vertical corporation," says Farish.

The recession trimmed turnover to £800,000 last year from a peak of £930,000 in 1989. "The market is down 20 per cent and I reckon it could fall another 10 per cent," UK yearly sales of all forms of miniature railways fell from £30m in the 1970s to half that now, Farish says though that, until the recession, sales were growing steadily. He reckons three quarters of customers are adults - the man in the council flat who trains spots on Saturdays, the middle class collector with a giant layout in the play room, finicky club enthusiasts known in the hobby world as "divest counters".

N gauge format just 15 per cent of the UK model rail market compared with 45 per cent in Germany. The German market is served by several high quality German makers including Fleischmann, Mintrix and Marklin. But these German makers offer few models of British locos and it is British equipment the UK rail modeller mainly wants.

Graham Farish started in 1919 and once claimed to supply three quarters of the components used in British railways as well as selling goods from water sprinklers to fertilisers. It started making model trains in 1947, got into N gauge in 1970 and dropped out of Double-0 in the late '70s when Airfix and Mainline piled into an already crowded market, shunting prices downwards in the process. It now earns all its income from model railways.

Graham Farish's manufacturing plant turns out some 400

body. Microscopic brass rivets are inserted by air pressure. The tool room is rather cavernous, the casting machine is of 1940s vintage and the company purchased a computer design system for drawing components only this year. Preparing drawings for a wholly new model - like the British Rail 158 Sprinter - can take up to 10 months. Farish says tooling up for a complete new loco can cost up to £30,000 so the company picks rolling stock chassis on which it can put several bodies and bodies that can take different liveries.

Model shops say Graham Farish coaches are the best in the business but that its locos are less detailed and slightly less accurate than those of the Germans. However, they are £15 or so cheaper.

"On a Class 37 diesel the steps for the driver come from the bogey to the cab are in a certain position. For the Class 37 it is the same but the cab is set back a bit so we should reposition the steps by five millimetres. We don't do it. Marklin would but you pay an arm and a leg for that. We produce good quality, life-like products. If we did more the cost would go up and the market would shrink." Usual retail prices range from £29 to £86 for locos, about £8 for coaches and £3 to £7 for wagons. It also sells complete train sets and will deliver to your door a rail system already laid out on block board for £375.

Recession has cut margins. "We normally can make about 10 per cent," says Farish. "Now we are just making a profit. If you have a lot of volume you can make a lot of money. We need more volume."

To help provide that, Graham Farish two years ago made 100,000 push-along locos for a Shredded Wheat promotion and has been talking to McDonald's about something similar. "I also want to try and utilise our equipment to make other, quite different products."

Grafar, Romany Works, Warham Road, Holton Heath, Poole, Dorset. BH16 6JL. 0202-632-691.

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Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Walsingham House, Stalham, Norfolk. Readers can obtain a complimentary copy by phoning 0952 382805.

Table of interest rates for various banks and products, including Allied Trust Bank, Aegon FN, Financial Assurance FN, Prosperity Life FN, Aegon FN, Liberty Life FN, NAT SAVINGS A/Cs & BONDS (Gross), NAT SAVINGS CERTIFICATES (Tax Free), and OFFSHORE ACCOUNTS (Gross).

WEEKEND FT SPECIAL REPORT - COURSES AND CAREERS

If you failed to make the grade...

...do not despair. Poor A-levels need not be ruinous, says Marilyn Bentley

TWO Bs or not two Bs? That is the question for the thousands of A-level students whose examination results will be known this week. It is time to decide which favourite CDs to take to university - or which universities will take C/Ds?

Failure to get the required A-level results can mean shock, disappointment and the upsetting of cherished plans for higher education. "The majority of students will not have considered the possibility that they might fail," says Julia Cox, a personal tutor with Mander Portman Woodward (MPW), a leading London tutorial college originally established to cater for those retaking A-levels. But it need not mean unqualified disaster.

As a first course of action, Cox recommends a direct approach from students to their chosen colleges, to see if grade requirements can be relaxed. "I find on the whole that admissions tutors are extremely friendly. They are trying to do a very difficult job as fairly as possible. An appeal, or even a personal visit, from a well-organised hopeful, armed with the necessary information (such as UCCA or PCAS reference numbers) and offering as much help as possible, can result in the college reconsidering its terms."

Admissions tutors are conscious that the examination system is something of a lottery, and a demonstration of real commitment by a student can sometimes offset lower grades. "It's worth having a go," insists Cox.

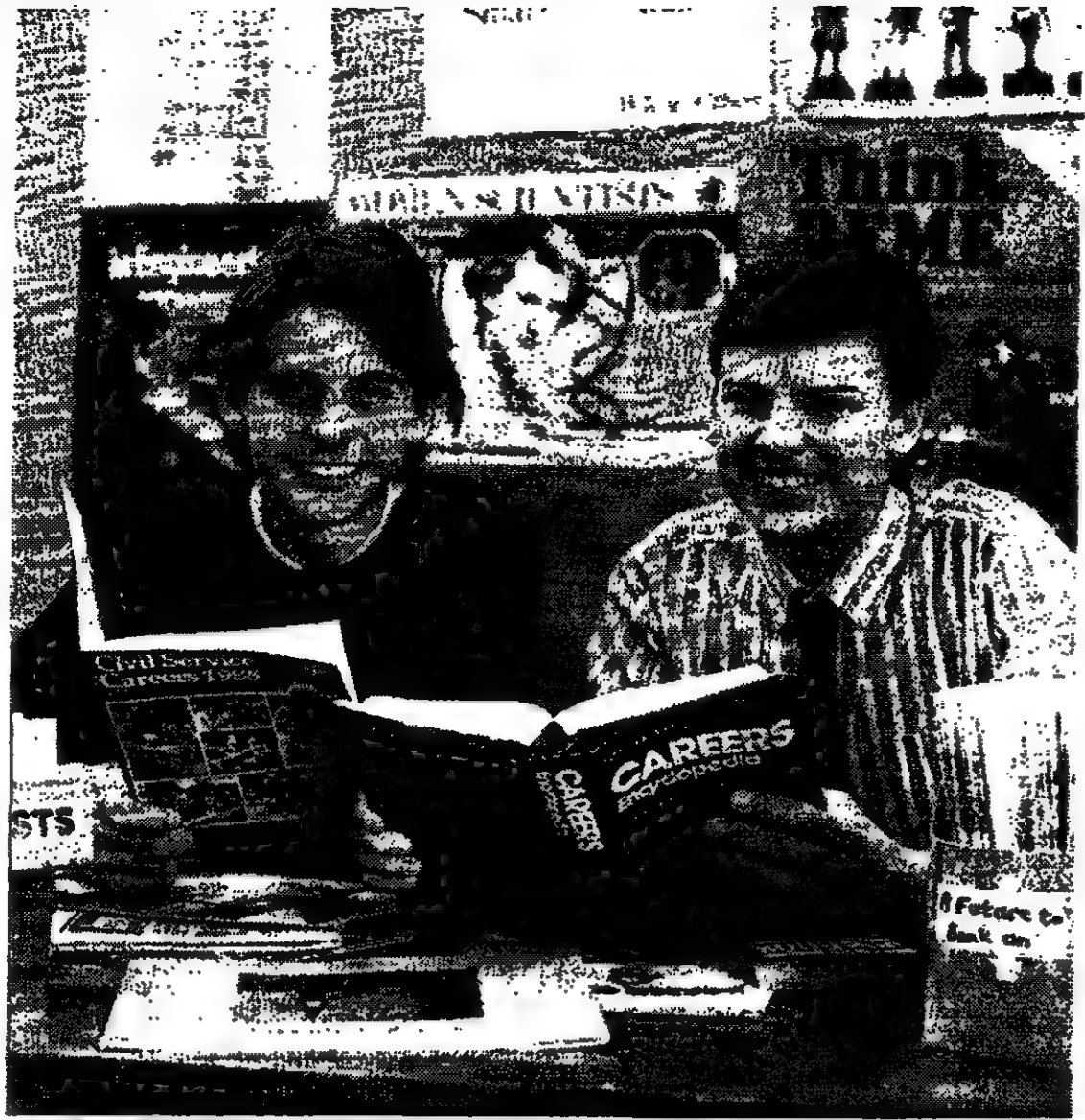
The likelihood of success will be modified by the chosen subject and the market. Many colleges offering less popular courses - physics, engineering, most technical subjects - are already beginning to tell students how to proceed if they do not get their grades. On the other hand, over-subscribed subjects such as law, English, medicine, and the history of art present more of a

problem, and the universities can call the tune. "College admissions are a perfect example of the law of supply and demand," says Joe Rushton, chairman of MPW. Most institutions now get most of their money as a direct result of recruiting students. So, within the constraints of available space, teaching staff, or government quotas, the institutions' aim is to get as many students as possible. "If they have a place, they want a student to fill it. There is a real educational market."

Students cannot be moved into the UCCA/PCAS clearing system until they have been rejected on the offers they are currently holding, so it pays to establish one's position as early as possible. Places may be available on the same or similar courses elsewhere and the press will be carrying details of what is available. But the formal clearing process is very slow - it can take up to six weeks. Cox recommends students to put their areas of interest in descending order of priority, get on the phone and do their own research.

"Arm yourself with the UCCA or PCAS books, your reference number, some good things to say about yourself and a lot of patience. Just keep ringing round. As soon as you get someone who takes down your details, go back to your tutor and get them to take over from there. It comes down to a matter of time. You can't sit back and let the system grind." However, she cautions against the temptation to accept a place just because it has been offered - you can lose future entitlement to a local authority grant.

A good deal of rapid rethinking and positive action has to be done at a time when students are still smarting from their disappointment. But an A-level certificate which fails to "make the grade" can sometimes be a welcome opportunity for a change of heart where



Michael Bishop (left) and John Armstrong of Bracken Hoe School, Middlesbrough, plan their careers

young people have drifted towards a particular course on the basis of a generalised interest, or under pressure from parents or teachers.

If this is the case, what questions should students ask themselves? "Work backwards from where you eventually see yourself," advises Cox. "Look at the career indicators, but also look at the fact that you will spend three years of your life studying."

Many students have not really thought beyond their interest in a subject for its own sake. There is nothing wrong with that but, bearing in mind the thousands of courses available, it may not be as difficult or as time-consuming to find something equally appealing. "When they have been shaken up a bit, students are open to suggestions. If you genuinely offer help,"

says Cox. "That doesn't mean that we capitalise on the fact that they are vulnerable. But they are more willing to listen."

Disappointing A-level results may reinforce a determination to pursue a particular course: a change of direction can throw up new demands for higher grades. In either case, the student will be faced with "retakes".

"What students see when they are sitting there with their envelope is: same school, same subjects, same struggle," says Rushton. What is needed is an injection of enthusiasm. It is a question of interpreting the certificate in the most positive way. In most cases, one result will be acceptable and another can be improved if the exam is retaken.

But there is often a subject which a student rather regrets having chosen in the first place. Many young people do not discover their real areas of interest until well into their A-level studies. A different subject, such as politics, statistics or social biology, which can be studied without prior GCSE, can add freshness and motivation to a retake course.

Having decided to retake a subject, a short burst of energy can get the exam out of the way by January, with the prospect of improved results, an interesting higher education course to look forward to, and eight months ahead for other pursuits. It is not a bad outlook.

Information: MPW London (Arts) Fiona Dowling 071-535-1355. MPW London (Sciences) Nigel Stout 071-584-8555. Also in Bristol, Cambridge and Birmingham

Make the most of a year off

AFTER THE strain of A-levels the idea of taking a year off before further study is very appealing. But it is important to make good use of the time, and to do so means deciding on specific objectives and making some realistic plans.

Perhaps the first question to ask is: is it worth it? As a starting point, *Taking a Year Off* (Trotman and Company) contains some useful tests and checklists as a means of assessing the rewards and pitfalls of various options, plus general information and case studies. The possibilities fall broadly into three categories: travel, work and short-term study. A gap year can provide the travel opportunity of a lifetime and there are extensive concessionary travel schemes available to young people. But it is worth investing in a return ticket. Local emergencies often arise abruptly and extended periods of travel can be lonely. For the intrepid but indigent, *Vacation Work* publishes guides to opportunities and working conditions in various countries to supplement income on route.

Rod Leith, at Returned Volunteer Action, has some exciting suggestions for unskilled young people interested in voluntary work abroad. These include joining work brigades, scientific expeditions, health, environmental and agricultural schemes, in locations such as Nicaragua and Cuba. Leith undertakes to field inquiries to the relevant organisations.

The National Youth Agency publishes an information sheet (50p) listing opportunities for voluntary work within the UK. If the idea of conservation appeals, the British Trust for Conservation Volunteers trains young people as volunteer officers on projects such as dry stone walling or hedge laying. As well as practical skills, volunteers have the opportunity to develop their abilities for administration, environmental assessment and negotiation.

"We don't ask anything except enthusiasm and commitment," says BTCV's Paulette Cohen. Volunteers are interviewed fully beforehand so that they know what they are letting themselves in for.

Community Service Volunteers provides accommodation, food, travel expenses and £21 per week pocket money to volunteers work-

ing in community care settings. CSV's projects range from independent living schemes, helping people with disabilities to live comfortably in their own homes, to day centres and working with the homeless, or young offenders.

A short term study course can be used to acquire an additional skill between A-levels and higher education. *The Directory of Independent Training and Tutorial Organisations* (Trotman and Co) lists courses available in the UK's private sector, and the *Directory of Further Education*, (CRAC Learning Materials) those in local authority colleges. Courses include core skills such as computing, teaching English as a foreign language, and more exotic pursuits such as cordon bleu cookery or acupuncture.

For study abroad, *The Student Handbook*, (Macmillan) is a directory of courses and institutions in the 12 EC countries, with information on application procedures, fees, grants, social security and accommodation. Studying a foreign language in situ can break down the prejudices of the most confirmed monolingualist, and Cultural and Educational Services Abroad offers information and advice on language tuition worldwide.

Often the most difficult part of taking a gap year is allaying parents' fears. However, with sensible planning, it can be a rewarding experience.

Information: Trotman and Company Limited, 12-14 Hill Rise, Richmond, Surrey TW10 6UA.

Returned Volunteer Action, 1 Amwell Street, London EC1R 1UL (071-278-0804). Vacation Work, 9 Park End Street, Oxford OX1 1FJ (0865-241978). National Youth Agency, 17-23 Albion Street, Leicester LE1 6DD (0533-554775).

The British Trust for Conservation Volunteers, Room CC, 36 St Mary's Street, Wallingford, Oxfordshire OX20 0BU (0491-39646). Community Service Volunteers, 237 Pentonville Road, London N1 9NF (071-278-6801).

CRAC Learning Materials, Hobsons Publishing plc, Bateman Street, Cambridge CB2 1LZ (0223-364551). Cultural and Educational Services Abroad, 44 Sydney Street, Brighton Sussex BN1 4EP (0273-883304).

Marilyn Bentley

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FOOD AND DRINK/PERSPECTIVES

Twelve green bottles — and the cost can send you to the wall

WHAT IS so special about the number 12? More particularly, why are we expected to buy a full 12 bottles (or six magnums, or 24 halves) whenever we buy young wine?

Part of the reason is that, traditionally, wine has been packed 12 bottles to a case, presumably because this is the maximum number that all but the puniest adults can be expected to carry at a time. Selling by the unbroke case allows the merchant to pass on wine by the unit with minimal effort.

But now that merchants can generate more than 250% of profit from selling a dozen bottles of wine, it is perhaps time to think about doing some more work for their money and offering us mixed or smaller cases.

For some time now, the Wine Society of Stevenage, Herts, has been offering top-quality Burgundy by the six-pack. The society also packs together cases (such as the one delivered to me the other day) of two bottles each of six different and first-class 1989 clarets. If only more companies would put themselves in their customers' place — after all, however delicious an expensive

wine might be, 12 bottles of it is quite a commitment. Smaller lots would also help merchants to allocate the really sought-after wines to a greater number of satisfied customers. And remember that Oddbins sells young, smart wine by the bottle.

Jancis Robinson puts the case for mixed delights when buying wine

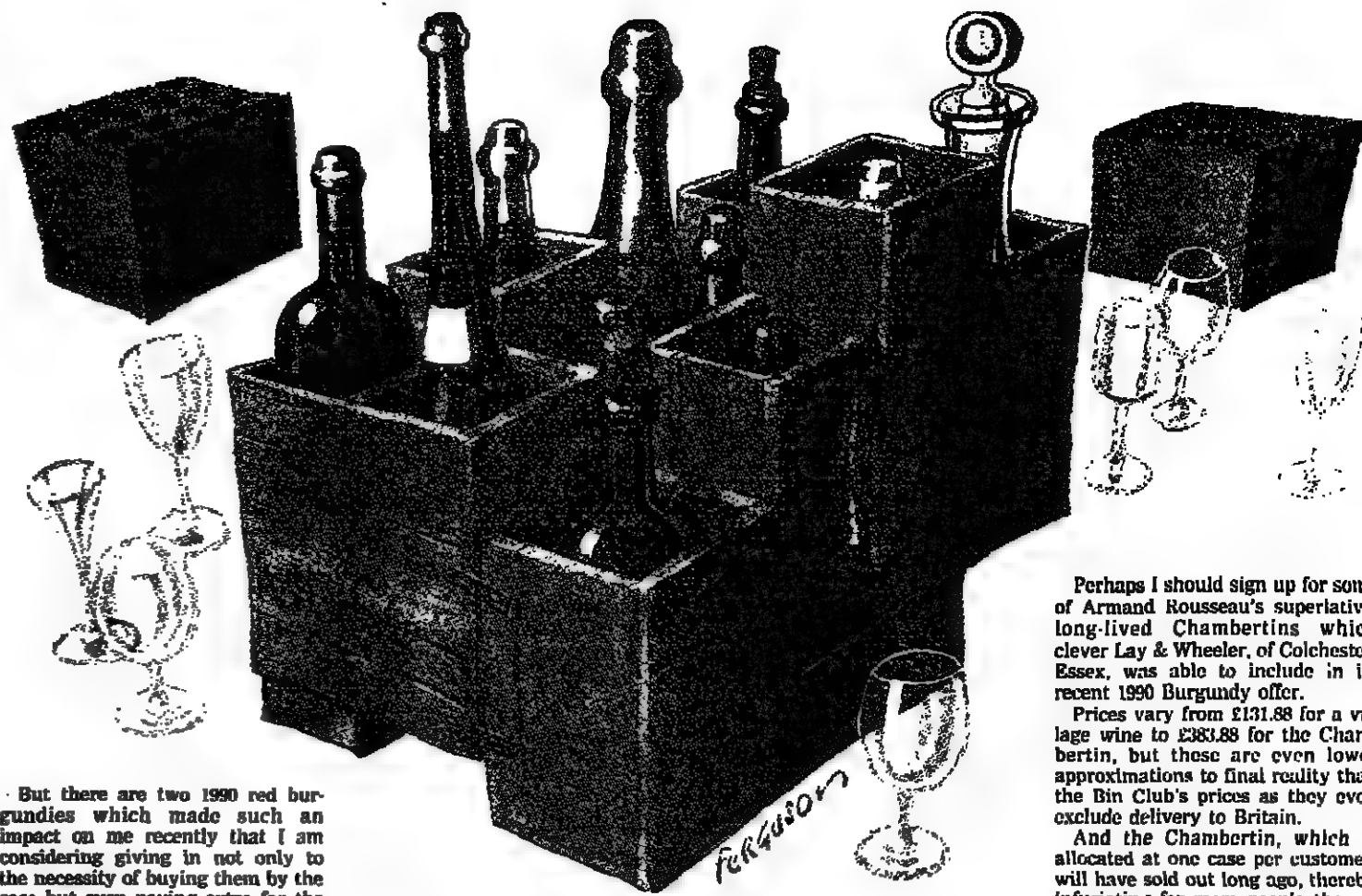
I approached the highly successful 1990 vintage in Burgundy with all this in mind, both to shell out more than £200 to acquire a single wine. Almost every merchant used to an influx of en primeur cash has been touting 1990 burgundies, and I have been lucky enough to reveal in several memorable tastings of generally deep-coloured, evocatively scented, richly fruity, well-structured reds, sometimes enlivened by some surprisingly good whites (especially from Chablis).

Ribendum London NW1 offered a particularly popular range and, as

is often the case, Justerini & Brooks of London SW1 and Edinburgh had one of the best selections. If few bargains, I was delighted, therefore, that — by waiting until the wines were in J&B's cellars — I could put together my own mixed case, and was quite happy to pay a 10 per cent premium for the variety. (Common advice is to buy wine with your friends, but they are usually precisely the people whom you wish to delight with it.)

All three wines from J&B's new Pommard domaine, Coste-Caumont, are rich and exciting, varying in price (duty paid and VAT-inclusive) from £15.60 for a straight Pommard to £21.10 for Pommard, Bouchardot. You could still buy a bottle of J&B's Schaeffer for £40.10 but a more modest and much earlier-maturing choice (in my tasting note for this, I see I wrote the word "gorgeous" twice), would be Bruno Clair's Savigny, La Dominière, from 80-year-old vines, at £14.60.

I could not resist Dauvissat's grand cru Chablis, Le Clos, at £22.10 — another "gorgeous" wine, I see I really must take a few lessons in wine description, with a stupendous conjunction of ripeness, acidity and length of flavour.



Perhaps I should sign up for some of Armand Rousseau's superlative, long-lived Chambertins which clever Lay & Wheeler, of Colchester, Essex, was able to include in its recent 1990 Burgundy offer.

Prices vary from £131.88 for a village wine to £283.88 for the Chambertin, but these are even lower approximations to final reality than the Bin Club's prices as they even exclude delivery to Britain.

And the Chambertin, which is allocated at one case per customer, will have sold out long ago, thereby infuriating far more people than it pleases.

I asked Hugo Rose, of Lay & Wheeler, if the company had considered making more flexible offers, but was put firmly in my place. "Most of our customers are well-trained," was how he put it. "They say they wouldn't dream of buying fewer than 12 bottles."

Cookery/Philippa Davenport

Bass: a sleek and simple fishy feast

SLEEK and silvery with delicate flesh, sea bass is a fine fish for high summer. While not cheap, it requires very little effort by the cook to make a memorable feast.

Like most top-quality meats and fish, sea bass shows to the best advantage if given very little embellishment. Cook it plainly and sauce it simply.

It seems a great pity to fillet such a handsome fish. For maximum effect, cook and serve sea bass whole. If the fishmonger has not done so, cut off the fins; these have sharp spikes, as do the gill covers. Then, gut and scale it. Impeccable freshness is, of course, paramount.

Rick Stein, whose Seafood Restaurant in Padstow is one of the best reasons to visit Cornwall, brushes sea bass with butter and roasts it on a thin pallet of vegetables in a hot oven until the skin is crisp and

the flesh is tender. He serves it with Hollandaise sauce sharpened brilliantly with sorrel.

Sea bass is suited equally well to oriental treatments.

SEA BASS WITH BLACK BEAN SAUCE (serves 6)

This party piece comes from a tome of favourite recipes from Prue Leith's cookery school: *Leith's Cookery Bible* (Bloomsbury £20). Black beans can be bought from Chinese supermarkets in tins or vacuum packs. Thicken the sauce at the end, if you like, with 2 teaspoons cornflour.

Ingredients: 1 x 4 lb sea bass, cleaned and scaled; 1 lemon; half a dozen spring onions; 3 tablespoons fermented black beans; 1 garlic clove; 1 inch of fresh ginger root; 1 tablespoon sunflower oil; 2 teaspoons sesame oil; 2 tablespoons each soy sauce and sherry; 1 teaspoon sugar.

Lay the fish on a large sheet of oiled foil. Sprinkle with sea salt and pepper, cover with citrus slices, and crimp the foil to make a baggy (yet securely-sealed) parcel. Cook on a baking sheet at 375°F/190°C (gas mark 5) for 40 minutes.

Wash the beans thoroughly under

a cold running tap. Chop finely the garlic, ginger and half the spring onions.

Warm the sunflower oil in a small saucepan and cook the aromatics for 1 minute.

Add the beans, soy sauce, sherry, sugar and half a pint of cold water. Bring slowly to simmering point. Cover and cook very gently for 15 minutes so flavours blend and infuse. Then stir in the sesame oil.

Unwrap and slide the cooked fish on to a warmed dish and scatter with the remaining spring onions, chopped finely. Hand round the sauce separately.

SEA BASS WITH SESAME & SOY (serves 2)

Here is a dish to which you can turn when you want a fast feast for two. If times are hard, grey mullet can be used instead of bass.

Ingredients: 1 x 1½ lb sea bass, cleaned and scaled; 1 heaped teaspoon sesame seeds; 3½ tablespoons peanut or sunflower oil; 1½-2 teaspoons ginger root chopped very finely; 3-4 spring onions chopped very finely; soy sauce.

Make two or three deep slashes obliquely down each side of the fish. Paint very lightly with oil and

season with sea salt and plenty of coarsely-ground black pepper. Grill for about 15 minutes, turning the fish carefully at half-time.

Alternatively, steam the fish. This is even quicker (7-8 minutes should be enough) and is less smelly, making it a wiser choice when the weather is such that leaving the kitchen windows and back door wide open to wait away fishy odours does not appeal.

While the fish cooks, toast the sesame seeds in a fat-loss pan and reserve them. Put the ginger and oil into the pan and place over low heat until very hot and aromatic.



Add the finely-chopped spring onions to the saucepan, cover, and set aside for 3-5 minutes while you move the cooked fish on to a hot serving dish. Then add the sesame seeds to the pan and return it to the flame until bubbling hot. Add a good splash of soy, shake to mix the ingredients, and pour the sizzling sauce over the fish.

As They Say in Europe

A taste of law and ordures

"TO GO on holiday is to be cheated" is not one of the world-weary, cynical maxims of the Duc de la Rochefoucauld but one of mine. Only in France, however, has it been given force.

The state secretariat for consumer affairs has set up Operation Vacances 92, which is sweeping across the land. Attacking beachside shacks which fry their fries in the same oil many times over is merely one of its tasks.

There are more glamorous malefactors who have been highlighted in *Liberation*. "You could be the manager of a renowned palace on the Cote d'Azur, welcoming well-off clients with large smiles while providing contaminated food in luxury dining rooms."

Apparently this hotel — the identity of which the author-

ties refuse to reveal — used products past their sell-by date. "And worse," said *Liberation*, "behind the alluring descriptions there hid pre-packed meals re-heated in an ordinary microwave."

The scope of anti-contamination operations is impressive. Pizza sold at a "concert" by the pop group Genesis was thrown into dustbins full of chlorine and bleach to ensure that even music-crazed customers would not touch it.

Hundreds of kilos of charcuterie have been burnt in Arles, a ton of dirty meat at a wholesaler in the Dordogne, and thousands of re-frozen ice creams were destroyed near Marseilles. *Liberation* even described a haul of holed snorl tubes.

International developments reinforced this disturbing pic-

ture of France on holiday: the above revelations coincided with news of illicit imports of hospital waste from Germany on a colossal scale.

Paris-Normandie put it all in the context of next month's Euro-referendum: "Whether it is organised by German firms or whether it benefits from the complexity of French import-export, this traffic is all the more revolting because it gives a supplementary argument to the anti-Maastricht faction."

For this faction, the communist daily, *Humanité* replied with the headline: "Ordures sans frontières."

It is perhaps necessary to add that, from my own recent experience, anybody contemplating a French holiday should not be put off. There is more to France than rotting meat, contaminated cooking

oil, ammonia pizza and suppurating hospital swabs.

A Swiss holiday will pose no such dangers. But the visitor should understand the nature of the close-knit society, as revealed in a legal action last week.

The *Neue Zürcher Zeitung* reported a case in Neuchâtel where a man had built a spy-hole behind a one-way mirror so he could observe the young couple in the bedst next door. When the device was discovered, the couple complained to the police, who took no action.

So, the couple sued, at which point the defendant died but the court awarded total damages of nearly SF6,000. The *NZZ* headline summed up the result: "Voyeur's widow must pay compensation."

Keeping an eye on the neighbours is a popular hobby in this part of Europe, so it is not surprising that it could be backed by law in Bavaria.

Reporting from Munich for the *Frankfurter Rundschau*, Peter Fahrenholz wrote of the plans of the state's interior minister, Edmund Stoiber, to establish "security counsellors, contacts and linkmen" to act as intermediaries between the population and the police. The idea is to be tested in Nuremberg.

The socialist opposition sees such officials as successors to Nazi block wardens Stoiber's spokesman, Gunter Schuster, denies this. He said the aim was to move from a "culture of looking away to a culture of looking in."

James Morgan

James Morgan is diplomatic correspondent of the BBC World Service.

Awakening of a president

■ From Page 1

hashes Congress and his opposition into submission. That Truman was a Democrat is irrelevant. But this posture is "all window dressing," Broder went on. "On the journey from New Orleans [site of the 1988 convention] to Houston, Americans have learned two important things about this president: he has no real regard for his own campaign rhetoric; and while he may hire good speechwriters for occasions like this week, he has virtually no capacity or interest in regularly using the forum of the presidency to shape and inform the public debate."

Tough words, and from a writer who, unlike some counterparts on the right also disaffected from the president, does not normally shoot from an ideological hip. Another generally dispassionate dean of the trade, Johnny Apple of *The New York Times*, describes Bush as "a political version of the 19th century Yankee merchant, always genteel and mannerly in private, but sometimes cunning and ruthless in business."

Even Bush has conceded that domestic business bores him, not entirely surprising after a public career devoted, by turn, to China, the United Nations, the Central Intelligence Agency, and, as vice-president

and president, to great affairs outside the US. A brief stint as a congressman from Texas and as Republican party national chairman are little more than footnotes in the resumé.

The one counter-argument this week was, essentially, that a president is principally supposed to preside over the events of the world and, in this respect, George Bush is supremely qualified. Circumstances may dictate otherwise, but they must be exceptional, on a par with the Depression confronting FDR, or the need

the right time. If ideology sits lightly on a self-confessedly unreflective man, happier on the golf course than with a book, then that may be seen as a tribute to his inner sense of security.

After all, nobody ever accused Truman or Eisenhower or Reagan of being intellectuals, but their presidencies were considered successful. Nixon, Johnson and Carter had brains to spare, as may Clinton, but were ultimately undone by the inner demons and conflicts that so often visit the best, the brightest and the worst. All Bush has to do is to persuade the country that he can change his spots and let the heart and mind follow.

But that alone will not be enough. He must also in the process destroy Bill Clinton, by fair means or foul. That scent of the target, that setting of the sights on the rifle, albeit directed mostly by the unseen hand of James Baker, explains why George Bush seemed happy this week. But the quarry looks tough and elusive, and the economic and societal terrain on which the chase will take place is not as friendly as it was four years ago. It is possible, too, that the public appetite for dirty pool has been finally satiated. Saddam Hussein, no easy mark, could be tougher, though not impossible, to bring down.

Bush has to persuade the US that he can change his spots

for social justice addressed by Kennedy and Johnson, or, as conservatives would maintain, the necessary burst for individual freedom and less government pursued in Reagan's first term.

If Bush is a late convert to this domestic cause, which will determine the outcome of the election, then, his supporters argue, it is better to be late than never. It matters less that he has switched over the years with the prevailing winds — on taxation, on abortion, and any number of other issues — than that he has seen the light at

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HOW TO SPEND IT/GARDENING

Madrid: slinky, elegant, sexy, overpriced

Shopping or going out in Madrid is a big deal. For visitors it is an expensive city, mainly because the peseta is overvalued. But do not be frightened. The fish and lobsters at what must be some of Europe's best seafood restaurants are flown in daily from the coast. Clothes are expensive but quality has improved as foreign designers have rushed into town and the locals have responded with new clothes, or derivatives, of their own. Apart from two department store chains, male and female shopping in Spain are two distinct activities. Peter Bruce, FT correspondent in Madrid, and his wife, Anna Christensen, report.

SHE WRITES...

A KALEIDOSCOPE of colours tantalises the senses - shocking pink, azure blue, emerald green, glittering gold, Carmen red, each crinkly, slithery or sumptuously soft and designed for impact.

This was not the closing ceremony of the Barcelona Olympics. Instead, it was a shop of Spain's hottest designer, Roberto Verino. The clothes were dynamic, but I came out empty-handed. They were summer's left-overs and followed the route to which Spain has stuck with touching faithfulness: short, tight, slippery, slinky - sexy.

I was not raised for this. I was dressed in twin sets and pearls and sensible shoes. Yet, soon I am going to be really wicked and, when I do, I am going to a Spanish designer, probably Verino although there are others including Jesús del Pozo, Sybilla and Pedro del Hierro to choose from.

Happily, Spanish designers have aligned themselves more closely with the mainstream of international fashion this year. They are showing lights of fancy juxtaposed with impeccably-styled classics.

So, if I get cold feet and do not buy Verino's turquoise parka with ostrich feathers and balloon mini-skirt, I know I will be happy with his classic camel suit with double-breasted jacket and ankle-revealing straight pants and, perhaps, the long, flowing evening skirt in slate grey. Loewe, a must for leather and suede, offers a version of the classic twin set this year.

Before embarking on shopping spree in Madrid, remember there are two stumbling blocks to overcome. Spending money should be pleasant, yet there is a dearth of friendly and helpful staff. If you

happen to be female, the young women who serve you would rather bore holes through you than ask if you need another size. If you get this treatment, leave.

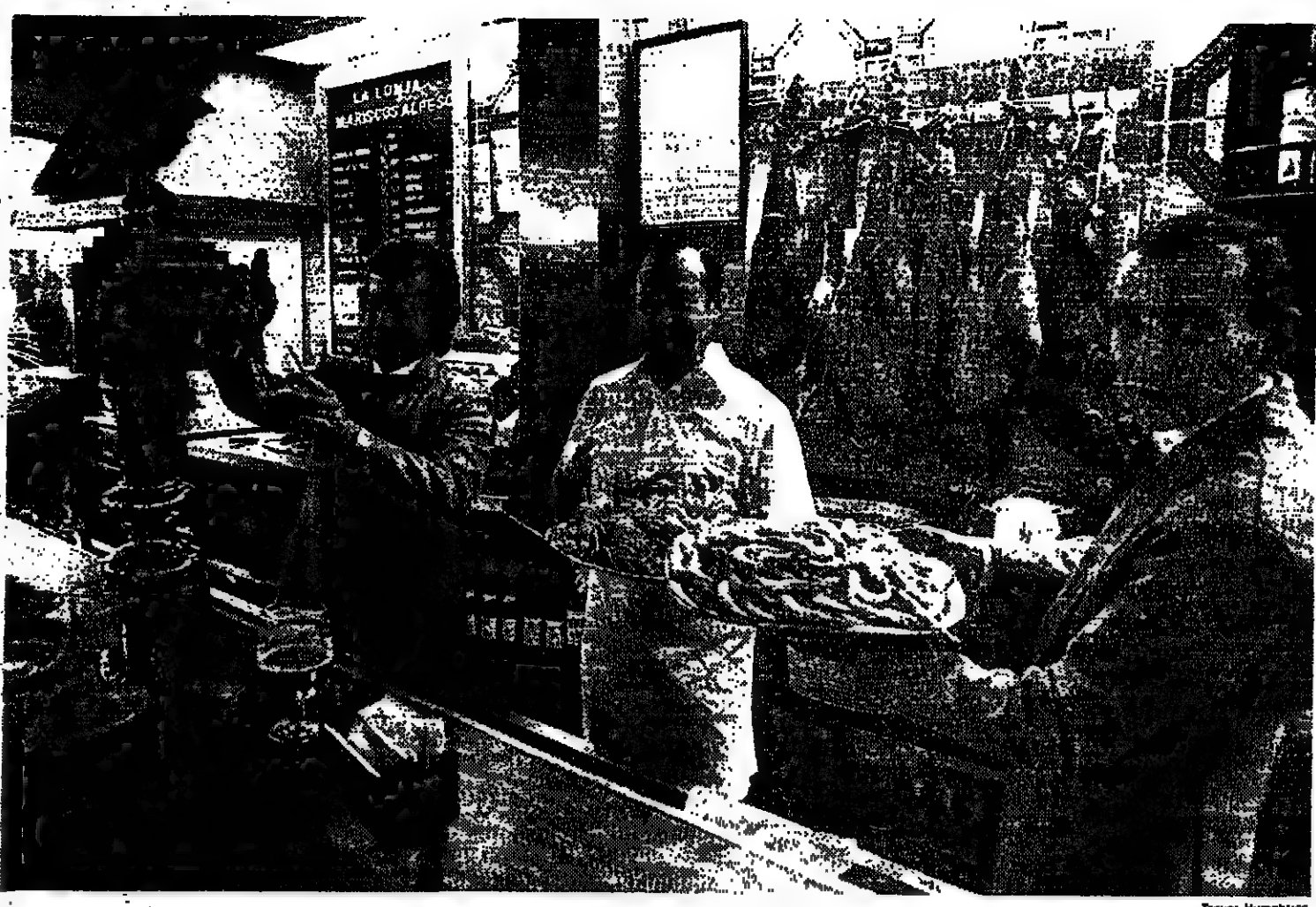
Second, Madrid is expensive and, normally, there are few bargains. Recently, I saw a Byblos dress I bought at a sale in London for £125 selling for the equivalent of £275.

Shopping in Madrid centres around Calle Serrano where, in fine weather, I enjoy watching well-clad Madrileños promenade. No one goes out in a track suit and few women even venture out in jeans. On Serrano I visit Max Mara, Loewe, Boutique Real and Adolfo Dominguez, a designer I favour for his clean lines and interesting fabrics.

Along the way, you will pass a dizzying array of shoe shops with reasonable prices. They still lag behind the Italians in quality but they cannot be beaten for fun seasonal wear. My favourites are Bravo and Los Pequeños Suizos, both of which offer quality, a wide selection of Spanish and imported styles, half sizes, and friendly and helpful staff.

I stay away from the antique shops in Calle Lagasca (they are overpriced and most of the furniture is English) but it is worth looking at the Duran shops along Serrano. For the best in Spanish furniture, antiques, lace and ceramics, go to Artesana, which has several shops. But beware in an overpriced country, their prices really jar. There is one on Hermosilla, just up from Serrano and close to the beautiful shop of Spanish premier interior designer, Gastón y Daniela.

On Claudio Coello, parallel to Serrano, you will find Roberto Verino, Emporio Armani and Salvador Bachiller, whose classic leather travelling bags, handbags and shoe collection this year include fanciful



What Madrid was built for: food and beer in a tapas bar/restaurant. The best tapas bars are along the Plaza Santa Ana

zebra-stripe inlays. I buy my household linen at Linogar or No 47, where the woman will ask you in which of three weights you would like your white pique summer bedspread and whether it will cover the pillows or go under them.

Several rather fun antique shops are also on this street and Annodier is worth looking at for its Art Nouveau exterior, even though its inside is a bit of a let-down.

As you walk, you will pass cross-streets worth wandering down. One is Calle Jose Ortega y Gasset, which has Kozzo, Gianni Versace and a wonderful Spanish boutique, Tres Zetas.

At the Jardín de Serrano, stop in at Abascal for another eye-dazzling display of colours and textures.

There, you may order a unique evening dress of the type that appears regularly in Spain's glossy gossip magazines (you need time for fittings, though). Agatha has a superb collection of (mostly French) costume jewellery. If you want the real thing, Bulgari will give you pause. Madrid's prestigious men's shop, Azul, is here but for real fun (of the expensive variety) go to the main shop on Serrano.

At some point, you will want to stroll along the Castellana to savour its grandness and splendour. You can take your pleasure outside in fine weather or in the lovely Art Nouveau restaurant, El Espejo.

For a truly Spanish break, go to one of the many Mallorca shops (I like the one on Serrano), where you

can enjoy coffee or chocolate, wine, cava and tapas. Many successful Spanish dinner parties come from behind those glass cases, as do gifts of ceramic or brass knick-knacks filled with sweets.

There are a few Spanish specialties I cannot live without. The gourmet olive oils, red peppers, cured Serrano ham, an almond cake called Tarta de Santiago, coffee Torrefacto-style, turron and Toledo-style marzipan: all make wonderful gifts if you can bear to give them away.

HE WRITES...

I GREW UP in the sticks in South Africa and, before coming to Madrid four years ago, had lived

only in London (where people wear track suits to impress each other) and Bonn (where shops close too early for anyone to buy things).

A pure-bred bumpkin, I mostly window-shop, but rapid improvements in my Spanish mean I will never again ask a shop assistant for a truck with extra long sleeves.

There is little point in buying suits in Spain - they are hideously expensive. On the other hand, this summer's sales have been incredible and a good man's shop, Blanco Blanco on Calle Marcollano Santa-

marina, next to the Real Madrid stadium, has a great blue cotton jacket from Hugo Boss in its window for about £30, with more tasty Boss gals inside. Springfield, a few doors up, is

more to my boring taste, though. I like faded clothes and Springfield (a Spanish company) makes me feel like an American adventurer every time I walk out of it with another washed denim shirt or faded grey sweat shirt. Prices now are at rock bottom; good jackets are going for £30 or so and sport shirts for about £15.

A much more expensive "western" feel is at Charro on Claudio Coello, where I bought a leather-collared cowpoke jacket for nearly £200 three years ago. They have great stuff - yellowing leather gloves and their own jeans.

The Spanish are discovering the great outdoors. I would buy a pair of soft leather Panama Jack boots or shoes if only they did not have Panama Jack written all over them in big letters. Instead, I settled last year for a 21-speed Peugeot mountain bike and a beagle puppy - P355,000 (2305) and P360,000 (2445) respectively from Calmeria on Calle Alcala and Nuestros Amigos los Animales in the La Vaguada shopping mall.

For authentic Spanish furniture, drive about 100km north of Madrid to Pedraza, a small pueblo. The trip, and lunch at the local parador, are more than worth it and the town has five or six good shops. A three-drawer pine chest, about 80 years old, could cost £1,000.

As for eating and drinking (which is what Madrid was built for), beer and tapas are best at the bars along the Plaza Santa Ana, just up from the Palace Hotel. In summer, you can drink until sunrise at sidewalk bars along the Castellana, but they are so full it takes hours to get service.

Madrid has hundreds of good restaurants although I confine my expeditions to within a few minutes' walk of my office, just off the Calle Recoletos in the centre of town. Two doors away is El Borbolen; over the road is a magnificent, tiled El Espejo. Up the road, on the other side of Serrano, is Alkalde, for good fish. All of these would cost around £30 a head for lunch or dinner with wine.

Easily the very best place to eat in Madrid - and one of the cheapest in the whole country - is the Centro Cubano on Claudio Coello, a ramshackle haunt of Cuban exiles. Its fare is simple - lots of black beans, chicken and rice - but it goes down very well.

Gardening: Arthur Hellyer goes to Essex to explore an unusual garden while Robin Lane Fox celebrates the glories of small trees

The grass menagerie

IT SEEMS unlikely that there is any small garden in Britain, other than Thorpe Park Cottage at Thorpe-le-Soken, Essex, which grows more than 200 species and varieties of ornamental grasses, some of them rare. This is the achievement of Trevor Scott, a New Zealander who until recently worked as a medical researcher in a London hospital. He kept Thorpe Park Cottage as a weekend retreat and grew grasses and reeds as a hobby.

He was made redundant in 1990 and decided to turn his hobby into a living. He increased his already considerable collection through his many contacts, including the Royal Botanical Gardens, Kew, and began to advertise his specialities. It is early days yet but the business seems to be working out favourably.

I found his little garden most charming - and bewildering, because it contains so many plants I did not know. Thorpe Park Cottage is a genuine cottage, part of an old farm complex. The garden is planted in the true cottage manner, almost all the open space being given over to beds filled with a medley of herbaceous perennials, lilies, roses, a few annuals - and, of course, grasses which, in this profusion, look their most elegant.

There was the Australian feather grass, *Stipa elegans*, elegant, delicate in effect with narrow leaves and sprays of



purplish flowers from June to September. Scott has produced an excellent catalogue which is strong on description and makes suggestions for associations between grasses and other plants. As companions for the Australian feather grass, he suggests campanulas and yellow anemones.

I had not realised how many grasses have leaves that colour richly at some time of the year. One such is the yellow Indian grass, which Scott considers to be one of the most beautiful Australian species. It is quite tall and arches gracefully; the grey-green leaves are tipped with purple, and the drooping sprays of flowers are iridescent bronze with yellow anthers.

Both stems and leaves turn rich purple in autumn. At Thorpe Park Cottage, this grass was growing beside a deep ruby-red chrysanthemum which was yet to flower. Scott assured me that the grass would continue to flower until chrysanthemum time.

Then there was *Panicum virgatum* Rehbraun, more than 3 ft high with red-tipped leaves and ample sprays of flowers which start greenish-brown but in autumn change to rich purple and yellow. Scott says it looks stunning planted with *Rosa Iceberg*.

Melissa altissima stropurpurea has quite short leaves but tall flowering stems that are up to 6 ft high carrying narrow, one-sided spikes of deep purple flowers. It looked wonderful growing through some blue annual larkspurs.

Completely different is evergreen *Amelodesmos mauritanicus*, which makes big, dense clumps of arching leaves which retain their lustrous green throughout the winter. Its flowers, which come in May, are buff and nothing special, but as an architectural foliage plant, this is unsurpassed. Different again is the mosquito grass, *Bouteloua gracilis*, a very fine-leaved grass which, in spite of its delicate appearance, is drought-resistant. Scott recommends planting it with alpine or as a contrast to small growing shrubs.

There were three varieties of the feather reed grass, *Calamagrostis acutiflora*, which I admired greatly. The tallest, a good 6 ft tall, is called *Stricta* and was standing bolt upright among some of the tallest plants in the garden. The flowers, carried in slender spikes, start green but turn rosy buff.

Two other forms of this grass are Karl Foerster, with brown flowers and leaves that turn yellow in autumn and retain this colour in winter, and Overdam, which has leaves striped with green and white and flushed with purple.

The blood grass is well named for its leaves are green at the base and rich red at the ends, remaining so all summer. Scott says it needs moisture-retentive soil and some sun to be at its best. He recommends planting it in groups or as ground cover, preferably where the sun will shine through it, for it lights up brilliantly.

■ The cottage is open only by appointment. Mail order catalogue available from Thorpe Park Cottage, Thorpe-le-Soken, Essex CO16 1BN.

LAST weekend, I stood in the far corner of the marvellous garden at Kiffsgate Court and found myself, in mid-August, surrounded already by trees in berry. The chill of autumn might be creeping into the late evenings but surely it should have kept its nose out of our trees' behaviour.

The fruits on Apricot Lady were looking moderately apricot; around her, two Chinese dignitaries were about to reach their peak. The grey-green leaves of the wild sorbus from Hupé were already set with white berries; beyond it, a sorbus from Yunnan was covered in fruits with a greyish-pink flush.

Like so much else, these sorbus trees have been in a hurry, but they have also revelled in this warm and wet summer. The most hurried variety is actually not so far ahead of itself. In front gardens and on the islands in motorways, you will find trees of the mountain rowan best heavily with red berries. Even the birds cannot strip them so soon: sorbus aucuparia is having a field day, the first tree to show berries among the usual range of English garden planting.

In normal years the berries appear by late August, an early intimation of autumn like the sudden sharp scent on phloxes or the sight of a dahlia sodden with dew. I am extremely fond of this tree but there are better cousins further east, as I continue to discover.

This year, my personal best is sorbus hupehensis, a wonderfully easy tree which has taken a shine to my horribly stony soil. In the dry weather of 1991 its neatly-cut, grey-flushed leaves drooped and looked miserable. In 1992 it flowered stupendously early in June, proving that it has a scent which books ignore, perhaps because it is decidedly masculine.

Already, it has grown madly two years after planting, and I would recommend it to anyone who wants leaves, berries and a robust elegance to a height of 20 ft. My trees are set for exceptional berrying, but they have received no attention from me except for the usual coulis of pig manure when they first went into position. Sorbus hupehensis is a winner.

So are its other Far Eastern cousins, *vilmosinifolia* and the mildly-obstinate *caschmiriana*. The latter, I think, dislikes dry gardens but it is a dream in others when contented, a tree which can be contained at 10 ft or so and admired for a lovely leaf and its large white berries.

Vilmosinifolia is much easier, and, if anything, its fern-shaped leaves are prettier. In a small garden, it has every quality: good leaf, suitable habit, pink-white fruit and a vibrant autumn colour. Although it is not a tree to block out neighbours, it is worth anybody's space.

Most of my sorbus have come from Landford Trees at Landford Lodge, Landford, Salisbury, Wiltshire. It even lists the most brilliant autumn sorbus of all, the large-leaved *sargentiana*, which has lovely buds in spring, like a horse chestnut, and the most wonderful orange flare in mid-November. It grows slowly but is an outstanding variety for anyone with patience and a stable life.

At a much lower height - a mere 5 ft if you clip it - sorbus koehneana is a newish variety from the same supplier. Its small leaves are cut thinly and are slightly on the grey side of green, while the berries are white. The effect of this small tree is well-suited to an emphatic point for a border or, in my garden, the centre of a bed of old-fashioned roses.

If you want to see young sorbus competing with turf in fairly hostile conditions, the place to go is the arboretum at Jodrell Bank, Cheshire. Early

Sorbus sets the pace but beware of blight

During the next two months, sorbus are presenting themselves in full beauty, and the many of you who want smallish trees with as many seasons as possible could not do better than to size them up. Until the mid-1980s, I rated Joseph Rock as one of the best of the bunch. It seemed ideal for smallish sites, but a terror has stolen up on it, moving east from Somerset up the line of the M5 motorway.

Joseph Rock is prone to the disease of fire blight, which enters through damaged bark in winter. It is a total killer and can even transfer to prunus or rose bushes.

I intend to brazen it out and take the greatest care not to prune my Joseph Rock before winter, nor to leave any broken wood on the tree after the main season. Experts insist that we should not choose it as our main garden variety but I cannot bring myself to remove it. You must be warned, though, that the best of the easier small sorbus is now potentially blighted.

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MOUNTAINEERING/GOLF

Rivals join forces on 'infinity ridge'

BRITISH mountaineers are billing it the battle of the Himalaya. Doug Scott, a legendary climber and the first Briton to ascend Everest - versus Alan Hinkes, a young thrustee with a mission to become as famous as possible as fast as possible.

There are just 14 peaks over 8,000 metres (26,000ft) in the world and the ascent of these giants is viewed by many as the ultimate achievement for a mountaineer.

The race between the Italian Reinhold Messner and the Pole Jerzy Kukuczka to be first to complete them all held the climbing world spellbound until Messner was first over the top in 1986. So far they are the only two to have climbed all of them.

Hinkes equalled Scott's record of four 8,000m peaks last year when he guided a Venetian to the top of Broad Peak in the Pakistani Himalaya by the normal route. He does little to disguise his intention of trying to bag as many more as he can with the aim of proclaiming himself Britain's "top" mountaineer.

But for Scott, a man more concerned with climbing hard new routes on mountains of any height with a group of friends, it is a race that will never be. At 50, he has succeeded on more original routes in the world's great ranges than perhaps any Briton, and is uninterested in a game of numbers.

To scotch any suggestion of joining such a race, he has been quick to invite Alan Hinkes on his own expedition this month to Nanga Parbat, at 8,126m the world's ninth highest mountain. The attempt via the unclimbed, eight-mile-long Mazeno ridge is the most ambitious British climb anywhere this year.

For Hinkes - without an expedition this season after Andy Fanshawe, his partner for K3 (the world's second-highest peak), was killed in an accident earlier this year - the offer proved irresistible.

"I looked at the route. I asked what was I letting myself in for with Doug... but he has lasted so long, he doesn't want to die... I said yes," says Hinkes.

Located in the Karakoram mountains of northern Pakistan, and bounded to the north and west by the Indus, Nanga Parbat ("naked mountain" in Sanskrit) stands in

splendid isolation as the dazzling culmination of the western half of the Himalaya.

Looking to the summit from Scott's base camp in the Rupal valley, it rises almost sheer for close on 5,000m. Many say it is the most beautiful of the big Himalayan peaks, but it is famous for savage storms and big avalanches - the mountaineer's two worst enemies.

So far, the weather has been kind. Hinkes and Scott have spent a month acclimatising, getting fit, and making a route of the routes up and down. Now, with their unusual but highly experienced team of two Russians, two Nepalis and a British film cameraman (between them they have climbed 14 8,000m peaks), they are setting off for the Mazeno col to start the climb proper.

Richard Cowper reports on an audacious assault on Nanga Parbat

At a time when most Himalayan climbers are obsessed with attempting the steepest faces, the Mazeno ridge sounds like a return to more traditional mountaineering: all the great Alpine and Himalayan mountains were first conquered via ridges.

However, what makes this climb unique and highly dangerous is its unusual length and sustained height. At least eight miles as the crow flies (no one really knows), the route follows the world's longest unclimbed ridge.

From the Mazeno col, Scott's party will traverse a knife-edge ridge, loaded with dangerous cornices and ascend and descend at least seven mountains, most of them over 7,000m, to the Mazeno gap. All this before the final gruelling ascent in the so-called "death zone" above 8,000 metres to the summit pyramid of Nanga Parbat at 8,126m. It is hardly surprising that some mountaineers are calling it "infinity ridge".

In comparison, the unclimbed and much coveted north-east ridge of Everest is 4½ miles, little more than half the length of the Mazeno. Even so, Everest's north-east ridge

has long been regarded as the most awesome Himalayan proposition because of the distance climbers have to travel at a height where the body functions at less than 30 per cent of normal capabilities.

The difficulties of the Mazeno ridge have kept all but one team away, and that by chance. In 1979 a group of 23 of France's top climbers, led by Jean Pierre Fressalond, were planning a new route on the Rupal face of Nanga Parbat, but an earthquake denied them the opportunity. At the last minute they shifted their efforts to the Mazeno ridge. The climb ended in disaster after only the first of the Mazeno peaks had been scaled.

Says Hinkes: "I think it is more committing than any route I know. If you get trapped in a blizzard on the Mazeno ridge no helicopter can fly that high. There is no easy way off. Both sides are precipitous. If you get sick in a storm it would quickly become a matter of life and death. You either have to go on or back. And if you are halfway along that's four miles at an altitude where every step requires a tremendous effort."

Nanga Parbat has often been cruel. Over the last century only 101 climbers have reached its summit and 55 lost their lives trying, making it the most dangerous mountain in the world after Annapurna. Most famous of all was the great British mountaineer A F Mummery, who died trying to scale its Diamir face in 1895 in a climb widely regarded as decades ahead of its time.

It was only last year that the first Britons - Roger Mears and Dave Walsh - reached its summit. But Scott's attempt is of a different order. If successful it will go down not only as the greatest British triumph on what has been regarded as the most audacious achievement in the Himalaya for many years.

Both Hinkes and Scott will then have five 8,000m peaks to their credit. For Scott, four of them will have been conquered via new routes. At 37, there seems little doubt that Hinkes will eventually come out on top of any British Himalayan league table. But success on the Mazeno ridge might make him think harder about how he does it.



Getting to grips: British climbing ace Doug Scott

It's time to quit, Jack

IT WAS sad to watch Jack Nicklaus trudging up the 18th fairway in the second round of the US PGA championship in St Louis. Shoulders hunched slightly, head forward, plucking at the front of his shirt in that distinctive way of his, he raised his right arm to acknowledge the applause of his supporters.

But he had missed the cut - the guillotine that falls after 36 holes to halve the number of competitors. It meant that, for the first time, he had bowed out at the halfway stage in three of a season's four major championships. He looked a shadow of the golfer he was. It was one major tournament too many.

It was not unexpected, though. One reporter wrote off Nicklaus nearly 15 years ago. When asked about it, he replied, blithely: "I was right. I just beat the embargo, that's all."

After his stunning victory in the 1986 US Masters, Nicklaus himself said: "If I was smart, I would stop now. The trouble is, I am not smart."

So he played on. The man relished the thrill of winning a major title at the age of 48. But that was the moment he should have called it a day. He should have said then that he no longer considered himself competitive and was going to concentrate on preparing for the seniors' tour, for which he became eligible in 1990, as well as on his family and his golf course design business.

It is hard to know when to stop. Golf makes relatively few physical demands but it does require a high degree of competitiveness. Nicklaus no longer has that; nor can he devote the time required to achieve it.

Arnold Palmer did not know when to stop. He played in the PGA in St Louis as well, looking - frankly - an old man. But then, he is 62 and has a hearing aid in each ear.

His 83 was his worst round in any of the 35 consecutive PGA championships in which he has competed since the late 1950s. After two rounds, Palmer was 30 over par.

Even now, Nicklaus on a golf course is a far more acceptable sporting sight than was boxer Muhammad Ali at the end as he struggled towards one more big pay-day; or Bjorn Borg, imagining he could make a comeback in the

tennis big-time. But even Nicklaus is mortal. He cannot see very far. He hardly practises. He plays rarely.

Besides, by devoting almost all his time to his business interests he has, effectively, announced his retirement. Two years ago, he admitted as much as a black limousine sped through the Scottish dusk, whisking him from one of his golf courses to another.

"I have got 73 courses in play around the world," he told me then. "I have more than 200 employees I am responsible for. I cannot carry on much longer playing golf, being a father and doing all this. I have to decide."

I want to remember Nicklaus as the thrilling player he was: one of the longest, straightest hitters the game has seen; a man meticulous in his attention to detail; and one who

John Hopkins on the terminal decline of a sporting legend

not only won 20 major titles but came second in 19 more, including seven Opens.

His arrival in the game was startling. He stood a hair less than 6 ft and weighed 15½ stone. As a result, he was nicknamed Blob-O.

He had a high-pitched voice and a crew-cut and hit the ball great distances - as long as John Daly now. He was a wonderful putter. As an amateur in the 1960 US Open, Nicklaus led after 68 holes before being overtaken by Palmer.

It was the start of a career that has been unmatched. No one else has played so well for so long - not Harry Vardon at the turn of the century, Bobby Jones in the 1920s, Ben Hogan, Sam Snead or Palmer. Frankly, I doubt if anyone will ever play as well for so long, and I am sure no one will ever get close to matching his record.

The Open championship next year is to be held at Royal St George's, Sandwich, Kent. Nicklaus dislikes this course more than any other of those that make up the roster of Open venues. It could be a good one for him to miss. Farewell, Jack. Spare us further embarrassment.

Weekend FT

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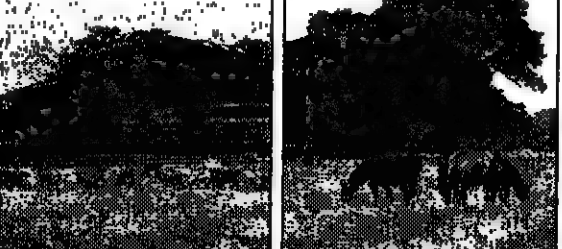
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BOOKS

A working-class hero who found himself revolted

Anthony Curtis on the latest in the renaissance of George Gissing, champion of the poor

IT WOULD be said if George Gissing, who spent much of his time writing novels about the lives of the poor, were to be priced out of the range of the common reader, that self-educating reader whose needs were so dear to his heart. During the so-called Gissing Renaissance, which began in the early 1970s and lasted well into the 1980s, it looked as if we were to have two complete editions of his works to choose from: a scholarly one, from John Spier's Harvester Press in Sussex, and a "popular" paperback one from Penguin Classics.

Whereas the Harvester Gissing volumes cost on average £8.50 (for an originally three-volume novel bound as one), the latest hardback Gissing reissue from Ryburn costs more than three times as much. This is for a solidly bound re-setting of the text, not a facsimile of one of the old editions, but, even so, £30 seems excessive. Meanwhile, World's Classics has brought out *The Nether World*, an important early work set among the London poor in Victorian times. It is good to see the Gissing flag flying still in paperback, but again it seems to me overpriced, almost £6 for an edition on nasty paper with a greyish type hard on the eyes.

If the pricing of Gissing's fiction is suffering from an inflationary spiral against the national trend, this prohibitive cost is even more severe in the case of the much-to-be-desired *Collected Letters of George Gissing*. Volume One 1863-1890 appeared in 1990 from the Ohio University Press as part of a project to produce one volume a year, the whole to end with Gissing's death in 1903, and eventually making eight or nine volumes. Volume Two 1891-1895 came out last year and Volume Three 1896-1898 has just appeared. Volume One now costs £63.75, and Volumes

Two and Three £60.10 each. Gissing's father Thomas first inculcated in George a love of literature. He used to read from Dickens and Tennyson to the whole family after lunch on Sundays. Tom Gissing was a hard-working chemist in Wakefield, George and his two brothers and two sisters were brought up over their father's shop until Tom died suddenly and they had to move, but luckily it did not disrupt their schooling. George proved to be an outstandingly clever boy who won many academic prizes. As he grew up, his able mind and abnormal power of

THE NETHER WORLD
by George Gissing
Oxford (World's Classics) £5.99, 404 pages

NEW GRUB STREET
by George Gissing
Ryburn (Hunter & Foulis, Edinburgh EH7 4NP) £30, 439 pages

application accompanied an acute social conscience. He was much concerned by the plight of the urban poor as he moved among the lowest levels of society in Manchester and London.

But when Gissing matured as a professional novelist and discovered the insolubility of the problem of poverty, and at the same time became acquainted with the kind of people who suffered it, he underwent a violent revulsion against the poor. Around 1890 he found his material in the rising middle class and sought a refuge from life's ills in the world of literary and classical culture.

The nature of the retreat made by Gissing is described in the semi-fictional, semi-autobiographical *The Private Papers of Henry Ryecraft* (1903). By contrast *The Nether World* (1899) represents the lowest depths of Gissing's immersion in outcast London. It is - as Stephen Gill, who introduces this edition, admits - a depressing novel, but a powerful one, a dispassionate depic-

tion of sordid living conditions, crookedness, cruelty, vain hopes and degradation. It differs from the works of Dickens and George Eliot in that there is no benevolent alternative, no ultimate salvation suggested.

Gissing's private salvation was simply to write and write. No sacrifice of his physical and mental health, material well-being, emotional contentment, family responsibilities, leisure and social life was too great for him to make in pursuit of his great goal. That was to gain an established literary reputation and the respect of his peers. Gissing had certainly won that reputation for himself by the time he died aged 40 - but at what a cost! That he did what he did with his eyes open, and was fully aware of the cost, is borne out by a reading of *New Grub Street* (1891).

As John Halperin, Gissing's most recent biographer, puts it in his introduction to this edition: "*New Grub Street* is perhaps the greatest novel ever written about the collision of the creative impulse with material circumstances." In it, Gissing's fearsome uphill struggle is parcelled out among the various characters, all of them writers. They are observed with savage humour slaving away at their manuscripts in the Reading Room of the British Museum, swapping experiences under the shadow of the great dome.

However fully Gissing may have fictionalised his early experience, no understanding of it is complete without reference to his letters, many of them written to his brothers and sisters. The American and French editions of the collected edition, Paul F. Matthieson, Arthur C. Young and Pierre Coustillas, are currently doing a splendid job in preparing what will certainly become the basis for all future biographies. It was necessary not only because of the accumulation of unpublished Gissing letters in the US, but also because the ones that were previously published in 1927 were horribly mangled and censored by the



members of his family anxious to conceal Gissing's criminal lapse while a student at Owens College and his subsequent marriage to a young Manchester prostitute.

Unfortunately, nothing that sheds any new light on this hidden period of Gissing's life emerges. There are no letters referring to his trial for theft of money from the students' locker-room nor to his harsh sentence (he was given one month's hard labour which he served in full). There are, though, some letters that refer to Nell, the street-walker who was the cause of it all. The editors print a couple of letters to Gissing from a fellow

student. He appears to have been a lusty fellow who had paid for Nell's favours and made a joke of it to Gissing. In the letters he apologises to him for his coarseness and ribaldry, saying he did not realise how seriously Gissing was involved with her.

Another sequence comes from Gissing's brother William, a music scholar suffering from the consumption which soon would kill him. Polite conventional phrases like "I am sorry to hear your wife is unwell" sound ironic when one reads them in the light of Nell's demise a few years later. Her death was caused by a

combination of starvation, venereal disease, bronchitis and alcoholism. Gissing's doomed crusade to redeem her had wrecked his youth; now the injustice of her life would spur on his writing about the state of the nation.

The Gissing Journal containing fresh appraisals and the latest scholarship is published quarterly by the Gissing Trust at £5 a year to private subscribers. Copies from Ros Shinton, 7 Town Lane, Idle, Bradford BD10 3PR, a bookseller who specialises in Gissing's works and related material.

sounds British; or anyway, not Hispanic. Since Colombia is his base, the fictional state he writes about is as corrupt and high-coloured, as full of churchmen, whores, terrorists, peasants, drugs, tortures, demons and ebullient beauties as might be expected.

And very amusing, as well as stomach-turning, much of it is, savagely indicting every institution, political or ecclesiastical, sparing no feelings, brimming on all complicity, shocking one by describing physical and moral horrors which, if taken to heart, should surely tear that heart out. But it is hard to take it seriously. It seems too much like a spoof of every fashionable Latin American novel, a carnival of pain and pleasure, violence, tenderness, high jinks of every sexual sort, quaint customs and quainter jokes. I wish I knew if it was all a big tease and whether the author, whose third South American novel this is, had simply hit on a long-running Latin soap.

Isabel Quigly

Married in the eyes of God alone

J.H. Plumb on gripping tales

LAWRENCE Stone is a grandmaster of the historical profession. He is learned and creative, often seeing (and exhausting) new strategies, and with equal dexterity pounces on old openings to enrich his game.

Climetrics - depth given to historical scholarship by the use of a computer - was brilliantly used in his work on *The University in Society*. He was quick, too, to realise that, in a world dominated by a class without ancestors, social history was bound to proliferate, and his contribution has been very considerable, if rarely without criticism.

Yet he knows the importance of narrative, indeed has begged for its revival. And he has withstood radical chic nonsense such as the fashionable (but fortunately minority) view that the Civil War in England was nothing more than the last hiccup of the War of the Roses when power mattered and belief did not. But who would have thought that Professor Stone would write a brilliant bedside book - rather like Nigel Short taking to draughts?

When he and his research assistants were working on his monumental *Road to Dover*, 1570-1575, they unearthed real-life stories that had been long banished to the attic of history, yet were of gripping human interest. Most of the stories of clandestine marriages vanished after the judgment of the ecclesiastical courts or the litigants gave up. Nevertheless the evidence, false or true, remained in thousands of documents rarely, if ever, consulted.

This volume (and we are promised more) deals solely with clandestine marriage; which, if legal, meant that the woman could claim support and the man all of his wife's property if she had any. Money (and of course status) tangled with lust and greed was a heady mixture, ripe for creating disaster.

Secret marriages were very easy to obtain. An open marriage with banns, certificate, church ceremony and subsequent feast was expensive even for craftsmen, let alone for the poor and the riff-raff of society, so many did not bother to marry except "in the eye of God", especially in the ever-changing working population of London. If they did, many preferred to cut costs. They could get a parson, imprisoned for debt in the Fleet, or find some destitute curate to read the marriage service and sign a certificate: they cost little, and witnesses even less.

The majority of Fleet marriages were of thoroughly ordinary young couples (often the

men were sailors, soldiers or labourers). No doubt the system bred laxity: registers were ill kept, persons and witnesses vanished.

Naturally there were golden opportunities here for the dishonest, the brutal, the men and women of guile, for those who knew how to exploit two of the deeper passions of mankind, greed and love. Here human nature in the raw unfolds, a fantastic panorama, as case follows case, some almost unbelievable, all compulsive reading.

Take Rudd v Rudd. It has everything in three pages. An overheated 16-year-old adolescent but also a baronet, Sir John Rudd, fell hopelessly in love with the servant of the family of a friend at school (socially speaking hardly any-

UNCERTAIN UNIONS: MARRIAGE IN ENGLAND 1660-1753
by Lawrence Stone
Oxford £25, 296 pages

thing lower could be imagined); in return for sex he offered marriage and she took it. Under age, it had to be clandestine. The scandal broke and he was banished by an irate mother to Utrecht.

For five years the Rudds brooded on what to do. Sir John, they decided, must die - at least officially. Lady Rudd announced his death in the South Wales press, his brother became a baronet, and Letitia, far too poor even to sue for maintenance, felt free to marry (and did).

A life of poverty followed, so subject that she had to rent out the extra bed in the room in which she and her husband slept at 6p a week. As in a Fielding novel, chance brought her a Welshwoman as lodger who knew Lady Rudd. She went at once to her ladyship, sold her information for £5.

Bigamy! The Rudds were delighted and a writ followed. Letitia of course, was utterly ruined. Her misery ended five years later with a private Act of Parliament that finally wiped out the consequences of a 16-year-old's act of folly.

This tale of bribery, corruption, buying of witnesses and endless subterfuge is typical of the stories in this book - none of them takes more than a quarter of an hour to read. They are all gripping, like stories in the *News of the World*, sordid, salacious, very human, sometimes hilarious, but mainly sad.

Who would have thought that Lawrence Stone would publish a superb bedside book of Real Life Stories? I cannot think of a better holiday read.

Japan as it is

JAPANESE goods have conquered the world. Japanese companies have bought parts of the Great American Dream. Japan's leaders take their places at the top table at international gatherings. Its citizens have become familiar figures in the most fashionable locations in the most cosmopolitan cities of the world.

Japan nevertheless conjures up conflicting images, because of its mix of modern occidental practices with the mysticism of the orient. Sometimes it is presented as an alien country whose inhabitants might have come from outer space. Such a view is fostered by Yamato nationalists who claim that Japan is unique, certainly like nowhere else on earth. Eminent Japanese have written articles claiming that Japanese brains, Japanese intestines and even Japanese snow are different from any other brains, intestines or snow.

These two authors went to Japan to explore its mysteries. Peregrine Hodson is British, a barrister, had lived in Japan before, speaks Japanese and wrote his account after spending three years in Tokyo working for a foreign bank. Jonathan Rauch is an American on his first visit, who does not speak Japanese and who spent six months in the country. Both books are highly personalised and episodic.

Hodson's most frequently used word is "I". Possibly Hodson's object is to get into the Guinness Book of Records for the number of uses of the personal pronoun. It is slightly more interesting counting the "I"s than reading what goes in between. There is some inter-

A CIRCLE ROUND THE SUN: A FOREIGNER IN JAPAN

by Peregrine Hodson
Helmans £16.99, 307 pages

THE OUTNATION: A SEARCH FOR THE SOUL OF JAPAN
by Jonathan Rauch
Harvard Business School Press \$18.95, 200 pages

esting material and he has a few vivid descriptions, but if he spent as much time as he admits breathing into his tape recorder during office hours it is a surprise that he survived so long.

In contrast, Rauch's observations raise very pertinent issues without being intrusive "I". The book is riveting. Precisely because he does not set himself up as an expert, but goes to see and learn before drawing his conclusions, Rauch has written an enjoyable, profound book, perhaps a minor classic.

He finds a Japan that reminds him of Plato's utopia based on Sparta. He finds much that reminds him of the US years ago. He demolishes the claim that the Japanese alone have a distinction between "tatamats", the feelings they show to the world, and "honour", what they really feel. Similar distinctions, he correctly observes, can be found in most cultures. He dismisses the myth of Japanese uniqueness: "The Japanese are precisely as mysterious and unique as my aunt in Hackensack," he concludes.

Kevin Rafferty

Storm clouds over Europe

Fiction

THE YEAR OF THE DEATH OF RICARDO REIS

by José Saramago
Harvill £14.99, 358 pages

SEPARATE ROOMS
by Pier Vittorio Tondelli

Serpent's Tail £8.99, 186 pages

THE TROUBLESOME OFFSPRING OF CARDINAL GUZMAN
by Louis de Bernières

Secker & Warburg £14.99, 388 pages

ble? What will happen to her, to him, to the ghost of the dead poet who haunts him? Behind them, Lisbon looms, a powerful presence, attractive and menacing, riddled with often friendly-seeming spies and grand chattering refugees from the Spanish fighting.

The poetic ghost stalks the streets and cafés, his relations with Reis too complicated to explain, fact and fiction interwoven, imagery and stylistic modes that recall Borges used to quirky effect. The translation by Giovanni Pontiero of the novel has been a nightmare to translate (weird punctuation, curious syntax) reads well, and the whole sombre enigmatic tale gives a sense not of spiritual portentousness but of importance.

It does *Separate Rooms* no service to call it, as James Kirkup does, "a homosexual

homosexual love.

Leo wants a lifetime of committed separation with (and without) Thomas: summers travelling together and faithful winters working far apart. Thomas, a musician in Germany, Leo a writer in Italy. He needs space, his own territory, time and peace for his own thoughts: domesticity and homosexual marriage are the last things he seeks. But Thomas, in the lonely winter apart, finds a girl and finally dies of some terrible unnamed illness (to make it the more poignant, Tondelli himself, the author, died of AIDS eight months ago).

The lifestyle of a homosexual in present-day Europe is shown in an atmosphere of cosmopolitan greyne, of brooding, bad weather not unlike that of Saramago's Lisbon: in both cases, one feels the determined down-

Romeo and Juliet. As the title implies, it is not a story of love, fulfilled or tragic, but is about being apart rather than together, about homosexual life rather than strictly

Third World literature exploded

SOME years ago, the literary theorist and Urdu poet Alijah Ahmad engaged in a celebrated controversy with the American critic Frederic Jameson over "Third World Literature".

Jameson had eloquently advocated a widening of the literary syllabus in American institutions of higher education to include works from outside the standard list of Western classics. Ahmad welcomed Jameson's call, but was deeply disturbed to find him talking of "Third World Literature" as if it were a homogeneous category. There is, Ahmad argues, no such category: there are instead the many diverse literatures of many different countries which, for reasons of geopolitical theory, tend too glibly to be lumped together as "the Third World".

This observation is as profound as it is simple, as Ahmad shows in this collection of essays woven around his original critique of Jameson. Their theme is that the notion of "Third World Literature" connects with views about nationalism and post-modernist literary theory in deeply revealing ways.

Ahmad explores these connections

in essays on Edward Said's *Orientalism*, Salman Rushdie's *Shame*, Indian literature, and other topics. The opening and closing essays unify the whole collection into a sustained and searching polemic.

In Ahmad's view, the "metropolitan" (First World, Western) propensity to think in agglomerative terms of "Third World Culture" generates a false understanding of recent world history and the way literature relates to it. The story goes as follows.

In the three decades following 1945, nationalism was a powerful force in African and Asian countries engaged in throwing off colonial bonds. Literary theorists applauded the drive to cultural independence associated with these anti-colonial struggles, but in doing so subsumed them all under the single "Third World" label.

With the rise of poststructuralist literary theories in the 1970s, nationalism itself came to be seen as oppressive, coercive and retrograde. According to poststructuralism, it is nonsensical to think in terms of such concepts as the origin of national identity and the possession of collective cultural consciousness; and it is likewise mistaken to interpret the

development of these phenomena by means of determinate historical narratives.

There are only individuals, post-structuralists argue, each with his own relative point of view; and there is no independent rationality or historical truth by whose means sense can be made of national struggles and the fate of cultures.

IN THEORY: CLASSES, NATIONS, LITERATURES
by Alijah Ahmad
Verso £19.95, 358 pages

Ahmad is opposed both to "Third Worldism" and to poststructuralism. His chief reason is that, despite the fact that the political, economic and historical analyses offered by Marxism appear to have been exploded by events, he remains a Marxist none the less, and as such believes that although nationalism has too often suppressed questions of "gender" and class, and has too often been retrogressive, it nevertheless has progressive forms, and these must be historically understood.

If fellow-critics try to dismiss Ahmad's views on the grounds that the moths of history have eaten his theoretical garb bare, they will be doing him an injustice. Marxist theory may be in eclipse, but on this occasion it serves as a powerful dissenting voice to the two orthodoxes - "Third Worldism" and post-structuralism - which have succeeded each other in misrepresenting, as Ahmad convincingly shows, the nature of the many different literatures and cultures flourishing in Africa and Asia. Because of this vigorous argued claim, Ahmad's voice is one of the most important in the current critical debate.

One of the best features of Ahmad's account is its dismantling of geopolitical appearances from cultural realities. At the Bandung Conference in Indonesia in 1955, presided over by the formidable figures of Nehru and Zhou En Lai, an effort was made to forge a consensus among nations outside the immediate hegemonies of the US and Soviet Union.

Writers like Edward Said have mythologised this moment as the birth of the Third World; but Ahmad shows that for all its importance oth-

erwise, Bandung does not mark - for nothing could ever mark - the creation of that "Third World Culture" which metropolitan criticism, addressing itself to a phantom of its own making, so vociferously praised and then later attacked.

It is a great pity that Ahmad will not be read by the general educated public, but only by fellow theorists. He writes too often in the Higher Cobbydook which characterises so much academic writing today. Academics now write solely for their professional colleagues, in a putrefactive jargon which would turn the stomachs of Hume and Arnold.

If Ahmad were to write for readers outside academic circles he would spread more widely his message concerning the crudity and complacency of Western thinking about what lies beyond its cultural borders. In the newly emerging world such understanding is essential. Ahmad is splendidly equipped to provide it: one earnestly wishes he would.

A.C. Grayling

ARTS

Screen

Still reigning after all these years

FOR a moment Gene Kelly, possessed by recall, looks about 28. He reminisces: "When we all worked together at MGM, we were an angry young group of people, because musicals up to that time had been looked down on. Every good director would say, 'Oh, one day I'll have some fun and make a musical.' And some of them tried it and their films went right in the bucket. But making a musical and not just having people yell at each other - not having them say 'I love you' and then burst into song - that was hard work and it was new."

So was Gene Kelly 50 years ago, and even newer 30 years ago. The man who battles Fred Astaire for the title of American cinema's greatest singer-dancer was born on August 23 1912. And back in 1942 a newcomer with St Vitus feet and a head-cold singing voice came to MGM to make his first musical.

Kelly became the most important thing that ever happened to that film. Before him - before *On the Town* and *American in Paris* and *Singin' in the Rain* - songs-and-dance movies, when not backstage stories, were about high society folk kicking up their heels between Long Island parties. The Astaire-Rogers films, shot in black and white like old *New Yorker* cartoons come to life, set the style.

In came Kelly and MGM and almost overnight musicals were multi-coloured and so were their social spectrums. "The big difference between me and Fred - and we always got angry when critics said we were like two peas in a pod - is that in his musicals everyone was always rich. Even if they did a divertissement with poor people, they all had tailored clothes! It was like Lana Turner in *The Postman Always Rings Twice* she had an apron designed by Givenchy or something. It was a whole different age."

Kelly today - we met at his modest but maximum-security

backlands off Sunset Boulevard - is a gracious, fatherly gent with a cardigan and balding no-nonsense pate. The tenor-ade-noidal voice is hoarser than when it sang in the rain back in 1939, but it still transmits tremors of recognition, especially when, to illustrate the genesis of the musical cinema's best-known solo number, Kelly breaks into the vamp from *Singin' in the Rain*.

"Do-de-do-de-do-de-do-de-do-doo... That was Roger's idea" - Roger Edens, MGM music arranger - "and it gave me the 'in' to the number that I wanted. I can't escape that song. It's become a classic, and I'm deeply grateful for that."

Singin' in the Rain - chalk up another birthday. It is 40 this year - has topped poll after poll as everyone's favourite screen musical. But neither the project's starting point, a bunch of old Arthur Freed songs in search of a script, nor the title song itself seemed promising back in 1932.

"It was an old Freed number and it had been used three times before on screen and never worked, so I thought it was jinxed. Arthur came up to me one day and said, 'How you gonna do it?' I said, 'I don't know, but I'll be singing and dancing and it'll be raining.'"

"Well, it took 10 days to rehearse and we shot it in one and a half. People don't believe we could do it that fast, because we had to back-light the rain, and have puddles dug, and cue each effect to the music. Plus, I had a fever and a bad cold, and it was scorching hot outside. We were working on the back lot under these big tarpaulins and the rain was coming out of hoses. I didn't enjoy it, but I knew what I had to do."

I suspect he did enjoy it. Kelly's powers of recall today are fond and focused, and he jumps on any memory-error perpetrated by former colleagues.

When I tell him about Debbie Reynolds' claims that Kelly, first, did not want her in *Singin' in the Rain* and, second, put her through hell in the rehearsal room he answers: "Wholecloth!" (A favourite Kelly term of scorn). "Both



Gene Kelly in full flow in everybody's favourite screen musical

Stanley (Donen, co-director) and I saw straight away that Debbie was a pretty girl and bright as a whip. She wasn't a great tap dancer - she was only 18 - but she worked hard and faked well. As for training, Debbie says that one day her feet bled. Well, it may be so but I never saw it. She romances that past quite a bit."

So much for Debbie. Kelly

Gene Kelly celebrates his 80th birthday tomorrow. Nigel Andrews spoke to him at his Hollywood home

himself de-romances the past. The man MGM helped turn into a superstar is startlingly casual about the studio's heyday and its myths. On the colourful L.B. Mayer, for instance, whom history paints as a non-stop despotic interventionist: "Mayer never stepped on to a soundstage that I recall. We were pretty much given free rein. I hardly even met him. We used to refer to him and his executives as the Pope and the college of Cardinals."

So genius flourished unencumbered? "We weren't geniuses. We were contract players just like athletes in the old days. If there was a style to a movie or group of movies, it might come

with the individual directors like Minnelli.

"But we had, I guess, a sense of mission. We wanted to make films in which the music was part of the plot and there was some kind of characterisation of the actor in his numbers. In the old musicals you could take any song or dance and put it somewhere else in the film - they often did - and even give it to a different character."

"But if you take a musical like *On the Town*, which is my favourite, what we tried to do was treat it as real. The songs and dances were part of the story. The film was very daring for its time: we shot on location in New York City, we had blacks and Japanese-Americans as main characters - L.B. Mayer didn't like that - and we threw out the chorus line because we said, 'Well, the five leads will be the chorus.'"

But there's a point beyond which you cannot go, surely, pace *On the Town*, *West Side Story* and other gritty song-and-dance shows. The musical is a romantic form, isn't it, even an escapist one?

"The critics like to say that: they always say, 'Oh musicals make no social comment. But a good musical makes more than the deepest, darest drama. In *Singin' in the Rain*, for instance, we took the art form of the 20th century - the cinema - and we told the truth about the silent era and the way sound movies came in."

Every detail was true, all the way from the broken careers of actors whose voices couldn't make it, to those scenes of early sound recording with mikes hidden in flower vases.

"But if you ask me if there's romance in musicals, of course there is. I think that's why it's died as a movie form: because dance follows music, and since the revolution of the Beatles that music has got louder and a bit more frightening for dancers. It's very hard to say 'I love you' to modern pop music. To the music of our generation it was easy and the dances became an extension of that."

"Fifty years from now, that romanticism might come back. Occasionally I hear melodic lines creeping back into a song that's half-popular. And if it does come back, so may a new generation of trained dancers who can sing and act. They've always been the *rara avis* in show business."

"When I was at MGM we tried to bring on a lot of new male dancers, because after a while I was a bit embarrassed: I'd be 40 years old and I'd be partnering Debbie who was 18. Leslie (Caron) who was 17. So the studio and I collected and trained a group of young dancers who I think were the best in the world. But the public wouldn't accept them. They wouldn't go to the films. Right up into the Fifties - right up almost into our fifties - they still wanted me and Fred."



Young girl in Roman folk dress, drawn by Liotard about 1737

Empress Maria-Theresa happened to look like a *gute Hausfrau*, so be it.

Only occasionally does he care to penetrate the psychology of a sitter, as he does in his subtle portrait drawing of the seated Mehmet Aga or his study of the young British archaeologist Richard Pococke in sombre Ottoman rig, whose sensitive features radiate a keen intelligence.

Liotard can be refreshingly unconventional. Only rarely did he succumb to the seductive charm of the prevailing Rococo style - a considerable achievement for an artist who worked in pastel and coloured

chalks. Into his portrait drawings, even if not always into his oils and pastels, he introduced an air of easy informality only previously acceptable in portraits of literary figures, philosophers or artists. His drawings made in the Levant are as fascinating to us as they were to our 18th century forebears. Above all, they remain extraordinary documents of a particular time and place.

The exhibition continues at the Musée d'art et d'histoire, Geneva, until September 20, and shows at the Musée de Louvre in Paris, October 15-December 14.

Salzburg Festival

Hills alive with the strains of music

EVEN at 30° celsius, Salzburg remains a delightful place to be. The "Sound of Music" bus tours still run (they take you to see where Julie Andrews stood when she sang *this*, and where the nuns did *that*) - though for such senior citizens now, that they must be the last generation of clientele. Temperatures and tempers have been rising still higher among the Festival artists, as you may have read. There have been disputes, but no mass defections; in fact the Festival proceeds with its usual air of comfortable success.

Over what might have been the largest bone of contention, the new director Gerard Mortier's aim of pulling the Festival further into the 20th century, one hears no audible growls. After all, there is still plenty of Mozart, including three of his operas - and two by Strauss, one by Janáček and one by Rossini (with strong international casts, if not exactly the ones originally announced).

The late Olivier Messiaen's *Saint François d'Assise* was sure of a safe passage in a devout Catholic land; and the seven concerts allotted to Pierre Boulez are going splendidly.

Of the four given by the Ensemble InterContemporain, two offered the composer's *Repons* of 1961, so far his most brilliant marshalling of instruments-plus-electronics, aptly prefaced by the *Dialogue de l'ombre double* (Alain Daniéls, dazzling) against his own pre-recorded "accompaniment".

Each strophe exploits a particular diction - one studded with little grace-note whoops, another gurgling with trills, and so on - while the softer accompaniment whirled around the ring of speakers high on all four walls. Patterns emerge and expand. The effect is not studied or arcane, but marvelously fluent.

A large auditorium in the *Lehrbühne*, some way out of town, had been adapted for the purpose, and for the more elaborate demands of the "concerto grosso" *Repons*. There, the 24-strong ensemble sat at the centre, surrounded by the audience, while the six soloists - pianos, harp, cimbalom, vibes - were stationed at the perimeter below the speakers. (Boulez was not above leaving them in darkness until their first collective entry, whereupon they were dramatically spotlighted.) Thus the soloists' "responses" to one another criss-crossed the hall, while the central ensemble seethed and the speakers occasionally erupted.

Much like the *Dialogue* strophes, the sections of *Repons* are sharply characterised by diction and colour - often

by himself and his partner Ursel of the utmost silliness. Whether it was a good idea to incarnate the preening spirit of Love as a preening wood-sprite (a female midge in leathers) is perhaps a matter of taste; but taste had nothing to do with the slapstick antics enjoined upon all the players. Most of them had at some point to deliver an aria against maximum comic distraction elsewhere on the stage.

Laurence Dale's romantic hero Belfiore, valiantly sung, was turned into a ridiculous ass, starting by tripping headlong over a root at his first aria - with endless jolly japes to follow.

La finta giardiniera is not a farce, but a "dramma giocoso" (a label that would fit *Repons* too, in fact), in this case an uneasy but fascinating compound of opera buffa and opera seria.

To wreck its serious side is inevitably to diminish its most forward-looking dramatic music: real distress and rapture become jokey charades. By sheer force of conviction Anne Sofie von Otter made a great impression in the breeches-role of Ramiro, and when given a chance Joanna Kozłowska and Elzbieta Szmajka sang stylishly as "Sandrino", the pretend-gardener, and Serpette.

Malvina Major's *grande dame* Arminda, Ugo Benelli's avuncular Podestà and Dale Duesing's lusty Nardo completed the team with distinction - though the latter was a disservice to the latter to transfer his main, character-fixing aria to the last act.

In the dubious circumstances, the score gleamed far better than might have been expected. All the same, Salzburg has no business producing Mozart as if for people who know that opera is foolish stuff, and want only to be kept awake to laugh.

David Murray reports from the annual celebration of Mozart

dense, always clear, sometimes disarmingly mock-simple.

For long stretches there is a perceptible harmonic base that helps the ear to keep the incessant flow in order. The work teams with original ideas; indeed, Boulez has been inclined to regard it as "unfinished" (like several other pieces). It made a thrilling, slightly exhausting three-quarters of an hour.

From late Boulez to the 19-year-old Mozart's *La finta giardiniera*: would that the composer's shade could have descended vengefully upon the production! An excellent, hard-working cast, the fine Mozart Orchestra (wonderful bassoons) with a committed conductor in Sylvain Cambreling, a charming set - a whole wood of tall, slender trees, apparently real - by Karl-Ernst Herrmann; and a staging

I will arise and go now...to Sligo

A T half past nine on a sunny Thursday morning in mid-August there is scarcely an empty seat in Sligo's Hawk's Well theatre as Professor Helen Vendler of Harvard University addresses the assembled company on "Yeats's *Ottawa Rima*".

"*Ottawa Rima*," she says, "is not exactly a subject for the crack of dawn." It is less intimidating once you realise that it is the standard form of the first eight lines of a sonnet, five beats to a line with alternate rhymes building up to a final couplet ("I must lie down where all the ladders start/in the foul rag-and-bone shop of the heart").

The technical analysis of the style and diction of half a dozen of Yeats's greatest poems that followed was so clear and jargon-free that even the most novice Yeatsian could not fail to be enlightened.

Vendler's lecture was the highlight of the first week of the 33rd Yeats International Summer School in Sligo, whose second week ends today. The prospect of getting people to pay £250 (excluding accommodation and meals) to spend two of the best weeks of summer attending lectures and seminars in a run-down Victorian town on the rainswept north-west coast of Ireland is so unlikely that it would be laughed at by the tourist industry.

Yet the Yeats School has been so successful that imitations have sprung up all over the country to study and celebrate all manner of writers in all kinds of places - Brian Merriman in Lisdoonvarna, Goldsmith in Longford, Gerard Manley Hopkins in Monasteraden, James Joyce in Newman House, Dublin, J.M. Synge in Wicklow, and Bram Stoker in Clontarf, to name but a few.

The YISS is in danger of becoming a victim of its own success, since it must now compete for custom with its imitators. And yet people still come - more than 80 this year, in spite of a postal strike in the booking season - divided between university students with a professional interest in Yeats and poetry lovers seeking a friendly special interest holiday.

The YISS has a name for being friendly and relatively informal. It is hard work for both students and the 23 lec-

turers and tutors, with two lectures and a two-hour seminar every weekday, in addition to a packed schedule of optional events such as poetry readings, lunchtime theatre (Yeats, of course), concerts (Donovan singing Yeats) and outings to Yeats Country - "Students should bring packed lunches and wear strong shoes". Then there is the late-night drinking and talking essential to any such school.

One reason why these schools prosper is that today's academics find them helpful for networking. Angela Bourke of University College Dublin is assistant director this year, and over the past six years she has made friends in Sligo with colleagues such as Terry Eagleton, Seamus Heaney, George Bernard Shaw and Helen Vendler. Such friendships lead to invitations to lecture abroad which might not otherwise materialise. It is a way of compensating for the lack of mobility and poor promotion prospects in

Yeats and Sligo. Yeats was born in Dublin and grew up in London, spending only his boyhood summers in Sligo, but he loved the place with a passion - not the dreary little town, but the undeniably spectacular scenery around it.

As John Keohane, president of the Yeats Society points out, even if you are not interested in Yeats, the best way to see the area is to follow Yeats since he wrote about all the best places: Lough Gill, which has Sleuth Wood; the Lake Isle of Innisfree; the Rock of Donny; and the village of Dromahaire; "bare Benbulbin", an inland cliff whose distant prospect towers over the streets of the town; Lissadell House, where Gore-Booth still lives, and the grave in Drumcliffe churchyard: "Cast a cold eye/ On life, on death/Horseman, pass by!"

Yeats actually lived about two hours' drive south at Thoor Ballylee near Cort in County Galway, but his "ancient tower" and the nearby ruins of Lady Gregory's Coole Park are no match for the grandeur of the Sligo landscape.

Another potential rival is the Yeats International Theatre Festival, now in its second year, which takes place at the Abbey Theatre in Dublin from August 25 to September 12, bizarrely sponsored by Coca-Cola, but so far it lacks the kudos of the Sligo event.

The YISS would also welcome a major sponsor to enable it to pay its lecturers a more realistic fee and establish more bursaries to help students with the cost. But if the man from the Tourist Board has his way, a sponsor will not be necessary. Damien Brennan is proposing a 25-minute state-of-the-art audio visual presentation "W B Yeats - Sligo-man" in the Yeats Society's headquarters, with 75,000 visitors a year paying to see it and the profits ploughed back into the school. The question is whether the staid and serious Yeats Society would permit it. They would be foolish not to.

Alannah Hopkin visits the Yeats International Summer School

academia caused by cuts. The School's Director, Patrick Sheeran of University College Galway receives numerous letters from overseas academics, particularly American, asking for the privilege of an invitation to lecture - and this at a fee of £245 per lecture, £15 per two-hour seminar plus £240 per diem expenses.

Helen Vendler has been coming to the school since 1971. She found that seeing the places that Yeats wrote about gave her a more intimate relation to the poetry, and recommends the experience to her graduate students at Harvard.

She has seen various phases in Yeats scholarship, the emphasis changing in line with intellectual fashion. Yeats has survived deconstruction, and is currently the subject of a lively debate on political versus aesthetic readings of the poems.

The director and assistant director are responsible for the programme and are appointed by the board of Sligo's Yeats Society, a group of predominantly elderly local worthies who formed the Society to foster the connections between

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